

METAL MINES LIMITED

(No Personal Liability)

Suite 1600, 100 Adelaide Street West, Toronto 1

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TO THE SHAREHOLDERS OF
METAL MINES LIMITED

The Boards of Directors of The Canadian Faraday Corporation Limited, Augustus Exploration Limited and Metal Mines Limited have approved a plan to consolidate the respective business operations of the three corporations into a single corporate entity. In order to effect the combination, shareholder approval of various matters is required. The attached Notice of Meeting and Proxy Statement more fully describe these matters.

All three corporations are currently engaged in related business activities. Faraday presently owns 84.2% of the outstanding stock of Metal Mines; Augustus owns 31.1% of the outstanding stock of Faraday; and Metal Mines owns 15.7% of the outstanding stock of Augustus. In addition, the corporations have certain officers and directors in common. The Boards of Directors believe that the pooling of management, financial resources and technical skills of the corporations will result in a stronger total enterprise and recommend that you vote in favour of the matters set forth in the attached notice.

It is hoped that your shares will be represented at the meeting.

By Order of the Board

L. E. WETMORE

Secretary

April 6th, 1967.

METAL MINES LIMITED

(No Personal Liability)

Executive Office: Suite 1600, 100 Adelaide Street West
Toronto, Ontario

NOTICE OF SPECIAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a Special General Meeting of Shareholders of the Company will be held at Montreal Airport Hilton Hotel, Dorval, P.Q., on Thursday the 27th day of April, 1967, at the hour of 10 o'clock in the forenoon (Montreal time) for the purpose of:

1. Considering and, if thought fit, confirming (with or without alteration or modification) an Agreement dated as of the 22nd day of December, 1966 between the Company, The Canadian Faraday Corporation Limited and Augustus Exploration Limited for:

- (a) the sale of the assets and undertaking of the Company, subject to its liabilities, to Consolidated Canadian Faraday Limited, a company resulting from the proposed amalgamation of The Canadian Faraday Corporation Limited and Augustus Exploration Limited, for a consideration consisting of 567,350 shares in the said Consolidated Canadian Faraday Limited;
- (b) the distribution pro rata to the shareholders of the Company of such share consideration (on the basis of 1 share in Consolidated Canadian Faraday Limited for every 2 shares presently held in the Company);
- (c) the termination of the Company's corporate existence.

2. Considering and, if thought fit, passing a resolution authorizing an application for an Order accepting the surrender of the Company's Charter, directing its cancellation and fixing a date upon and from which the Company shall be dissolved and, as incidental thereto, authorizing the Company to part with its property and divide its assets rateably among its shareholders.

3. Considering and, if thought fit, giving all such authorizations and directions as may be necessary or desirable in connection with the foregoing.

4. Transacting such other business as may properly come before the meeting, or any adjournment thereof.

NOTE: A copy of the Agreement referred to in Clause 1 above accompanies this Notice.

DATED at Toronto this 6th day of April, 1967.

By Order of the Board,

L. E. WETMORE,
Secretary.

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THE CANADIAN FARADAY CORPORATION LIMITED
METAL MINES LIMITED
AUGUSTUS EXPLORATION LIMITED

PROXY STATEMENT

SOLICITATION OF PROXIES

This Proxy Statement is furnished in connection with the solicitation of Proxies by the Management of The Canadian Faraday Corporation Limited ("Faraday"), the Management of Metal Mines Limited ("Metal Mines") and the Management of Augustus Exploration Limited ("Augustus") for the Annual and a Special General Meeting of Shareholders of Faraday and for Special General Meetings of Shareholders of Metal Mines and Augustus to be held in the case of Faraday and Augustus on May 3rd, 1967, and in the case of Metal Mines on April 27th, 1967, and any adjournments thereof. Shares represented by Proxies received by the Management will be voted in accordance with the specifications made thereon by the shareholders, and in the absence thereof will be voted in favor of the proposals. Any shareholder giving a Proxy shall have the right to revoke it at any time before it is exercised. The giving of the Proxy will not affect a shareholder's right to vote in person should said shareholder decide to attend the meeting after giving such Proxy. The solicitation of proxies will be conducted by mail. The cost of such solicitation will be borne by the respective corporations.

No matters, other than those stated in the attached notice are known to be in prospect at the meeting but if any such matter should arise proxies will be voted in accordance with the discretion of the individual proxy named. In case the address of the shareholder signing the enclosed Proxy appears on the records of Faraday to be within the United States, the Proxy will not be used in connection with any vote on Item I in the Notice of the Faraday Meeting.

Faraday, Augustus and Metal Mines each have only one class of shares outstanding. The corporations' transfer books will not be closed. The registered holder of any share at the date of the meeting will be entitled to cast one vote for each share held.

Faraday, Augustus and Metal Mines have each supplied the information relating to itself contained in this Proxy Statement.

PURPOSE OF MEETINGS
DESCRIPTION OF PROPOSED TRANSACTIONS

General

Faraday presently has outstanding 1,762,364 shares of capital stock of which 31.14% (548,822 shares) are owned beneficially by Augustus; Metal Mines presently has outstanding 7,215,700 shares of which 84.27% (6,080,999 shares) are owned by Faraday; Augustus presently has outstanding 4,454,811 shares of which 15.77% (702,319 shares) are owned by Metal Mines. In addition, Faraday, Metal Mines and Augustus have certain directors and officers in common. Augustus is controlled by Messrs. Johnston, Wetmore and Campbell, directors of each of the corporations.

In December 1963, Faraday sold all of its mining assets to Metal Mines which was then named Nickel Mining and Smelting Corporation, in return for shares in the capital of Metal Mines. The effect of this transaction was to make Metal Mines a majority owned subsidiary of Faraday. The primary reason for the sale of the mining assets at that time was to enable Faraday to secure certain tax benefits and make Faraday the holding company and Metal Mines an operating subsidiary.

Faraday presently functions as a holding company owning shares in other companies. Its investment in subsidiaries other than Metal Mines is not significant. Metal Mines is the principal operating subsidiary of Faraday. Augustus is primarily an exploration company although it also functions as a holding company owning shares in other mining companies.

The Boards of Directors of Faraday, Metal Mines and Augustus have determined that it would be in the best interests of the corporations to consolidate the respective business operations into a single corporate entity at this time and have accordingly approved a plan leading to the amalgamation of Faraday and Augustus and the purchase of the assets of Metal Mines by Consolidated Canadian Faraday Limited ("Consolidated Faraday"), the company resulting from the amalgamation of Faraday and Augustus. Faraday

and Augustus are both incorporated under the laws of Ontario and therefore may amalgamate pursuant to Section 96 of the Corporations Act of the Province of Ontario. Since Metal Mines is incorporated under the laws of Quebec, it is necessary that its assets be purchased by Consolidated Faraday in order that its operations may be consolidated into Consolidated Faraday. See page 6 herein for a description of Consolidated Faraday.

Increase in the Number of Directors of Faraday

Preliminary to the Special General Meeting of Faraday, the shareholders of that company will be asked to approve a special resolution increasing the authorized number of directors from seven to nine so that the nine directors elected thereafter shall become directors of the Consolidated Faraday in accordance with Paragraph 7 of the Amalgamation Agreement, Exhibit II.

Nominees for Election as Directors of Faraday

It is the present intention of the persons named in the accompanying form of proxy to vote such proxy for the election, as directors, of the nominees listed below. The management of Faraday has no reason to believe that the persons named will not be available but in the event that a vacancy among the original nominees occurs prior to the meeting, the proxy will be voted, subject to the above reservation, for a substitute nominee or nominees designated by the management of Faraday and for the remaining nominees. Messrs. Johnston, Hicks, Whitelaw, McCausland and Campbell were elected directors of Faraday by the shareholders at the last annual meeting. Nine directors are to be elected to hold office until the next Annual Meeting and until their successors shall be elected and shall qualify.

<u>Nominee</u>	<u>Principal Occupation</u>	<u>Became a Director of Faraday</u>	<u>Shares of common stock of Faraday beneficially owned directly or indirectly as of February 1, 1967</u>
ASHTON W. JOHNSTON	President of Faraday, Metal Mines and Augustus	1953	4,001
H. BRODIE HICKS	Vice-President and a Director of Faraday, Metal Mines and Augustus	1965	2
ARCHIBALD BURNSIDE WHITELAW	A member of the firm of Macdonald & Macintosh, Barristers & Solicitors	1958	1
JOHN K. MCCAUSLAND	Vice-President and Director in the firm of Wood, Gundy & Co. Ltd., Investment Dealers	1956	2
WILLIAM CLARKE CAMPBELL	A member of the firm of Day, Wilson, Campbell & Martin, Barristers & Solicitors	1961	10
D. L. MARCUS	Vice-President and a Director of Metal Mines; President of West Indies Plantations Limited and Director of Augustus	—	4,000
G. PERLEY-ROBERTSON	A member of the firm of Gowling, MacTavish, Osborne & Henderson, Barristers & Solicitors	—	1,000
GEORGE T. SMITH	Barrister and Solicitor, President Siscoe Mines Limited	—	—
JULES LOEB	Executive, Director of M. Loeb Ltd.	—	—

Mr. Marcus, after his retirement from the Royal Canadian Navy in 1962 has been actively engaged in the financial business, as a salesman with Nesbitt Thomson & Co. Ltd., investment dealers, until December of 1965. In January 1966 he assumed the Presidency of West Indies Plantations Limited, a real estate holding company, a position he still holds.

Mr. Perley-Robertson, one of Her Majesty's Counsel, has been a senior partner of the legal firm of Gowling, MacTavish, Osborne & Henderson, for over the past five years.

Mr. Smith, a member of the bar of Ontario has been practicing law in the City of Toronto since 1956. He has also been active as a mining executive, being President of Siscoe Mines Limited.

Mr. Loeb has been associated with M. Loeb Ltd., wholesale grocers, in an executive capacity for over the past five years.

Remuneration of Directors and Officers of Faraday:

No officer or director received aggregate remuneration from Faraday and its subsidiary, Metal Mines, in excess of \$30,000 during the year 1966.

<u>Name of Individual or Identity of Group</u>	<u>Capacity in which Remuneration was received</u>	<u>Aggregate Remuneration</u>
All directors and officers of Faraday and its subsidiary, Metal Mines, as a group (11 in all)	Directors & Officers	\$76,987*

* In addition, Antell Securities Limited, of which A. W. Johnston is a principal stockholder, was paid \$30,000 during the year for consulting fees.

Under an actuarial pension plan the benefits are as follows:—

<u>Name of Individual or Group</u>	<u>Estimated Annual Benefit upon Retirement</u>
Officers of the Corporation as a group (4 in all)	\$32,400

Appointment of Auditors of Faraday

The management of Faraday will nominate Thorne, Gunn, Helliwell and Christenson to act as auditors for the fiscal year ending December 31, 1967. Said firm and its predecessor firm have audited the books of Faraday since 1964. This firm also acts as auditors of Augustus and Metal Mines and will be the auditors of Consolidated Faraday.

Material Features of the Transactions

The Amalgamation Agreement, which is annexed as Exhibit II to this Proxy Statement, has been approved by the respective Boards of Directors of Faraday and Augustus for submission to meetings of the shareholders of both companies. The Basic Agreement, dated December 22nd, 1966, which is annexed as Exhibit I to this Proxy Statement, has been approved by the respective Boards of Directors of Faraday, Augustus and Metal Mines for submission to meetings of the shareholders of said companies. Shareholders of Faraday and Augustus will be asked to vote on the Amalgamation Agreement and the Basic Agreement; Metal Mines' shareholders will be asked to vote on the Basic Agreement.

Thereafter, the consolidation of the three corporations involves a series of transactions. In summary, they are:

- (1) Cancellation of the Augustus shares (702,319 shares) owned by Metal Mines.
- (2) Reduction of the number of outstanding Augustus shares (3,752,492 shares, after cancellation of 702,319 shares owned by Metal Mines) to 750,498 shares, a one for five reverse stock split.
- (3) Cancellation of the Faraday shares (548,822 shares) owned by Augustus, thereby reducing the number of Faraday shares outstanding to 1,213,542 shares.
- (4) The conversion of the remaining outstanding shares of Faraday (1,213,542 shares) and the remaining outstanding shares of Augustus (750,498 shares) into shares of Consolidated Faraday on a share for share basis.
- (5) Application by Faraday and Augustus for Letters Patent of Amalgamation.
- (6) Adoption of "Consolidated Canadian Faraday Limited" as the corporate name of the company resulting from the amalgamation.
- (7) Following the grant of Letters Patent of Amalgamation, the purchase by Consolidated Faraday of all of the assets of Metal Mines and the assumption of its liabilities for a share consideration consisting of 567,350 shares of capital stock of Consolidated Faraday.
- (8) Upon receipt of the 567,350 shares of Consolidated Faraday, the distribution by Metal Mines of all of said shares pro rata to its shareholders other than Faraday and the termination of its corporate existence. (For each two shares of Metal Mines held the minority shareholders of Metal Mines will receive one share of Consolidated Faraday.)

(9) The adjustment of options to purchase an aggregate of 145,000 shares of Metal Mines stock at \$1.30 per share, presently outstanding, to permit the purchase of an aggregate of 72,500 shares of stock of Consolidated Faraday at an option price of \$2.60 per share.

(10) The adjustment of options to purchase an aggregate of 66,666 shares of Augustus stock at \$.50 per share, presently outstanding, to permit the purchase of an aggregate of 13,333 shares of stock of Consolidated Faraday at an option price of \$2.50 per share.

The change in the by-laws described in Section 13 of the Amalgamation Agreement is for the purpose of bringing same into line with the provisions of the present Ontario Corporations Act.

Quorum and Shareholder Votes Required

Under the by-laws of Faraday and Augustus, a quorum for a shareholders' meeting consists of two shareholders present in person each holding at least one share. The Corporations Act of Ontario requires a vote of at least two-thirds of the shares present and voting at each of the Faraday and Augustus meetings for the approval of the Amalgamation Agreement and a special resolution authorizing an application for Letters Patent of Amalgamation confirming the Amalgamation Agreement, and for the purpose of increasing the authorized number of Faraday directors.

Under the by-laws of Metal Mines a quorum consists of five shareholders present in person holding or representing by proxy at least 10% of the issued capital of Metal Mines. The Mining Companies Act of Quebec requires the favorable vote of a majority of the Metal Mines shares to approve the Basic Agreement, providing for the sale of the assets of Metal Mines to Consolidated Faraday, and the favorable vote of two-thirds of the Metal Mines shares to cause its dissolution. Counsel for Faraday and Augustus have advised that the Basic Agreement does not require approval of either the Faraday shareholders or the shareholders of Consolidated Faraday. However, having regard to all of the circumstances and the fact that certain shares of Augustus held by Metal Mines are to be cancelled pursuant to the terms of the Basic Agreement, Management has decided that the proposed transaction should be submitted to the Faraday and Augustus shareholders for approval. If approval of all matters set forth in the accompanying notice is not voted by the shareholders of each of Faraday, Augustus and Metal Mines, neither the amalgamation nor the purchase of the Metal Mines assets will be consummated.

It is the opinion of each Board of Directors that the proposed transaction is fair and equitable, and is in the best interests of the corporations and their respective shareholders. For these reasons, the Board of Directors recommend that shareholders vote in favor of the proposals submitted for their approval at the Special Meeting. Faraday, Augustus and Metal Mines have indicated that they intend to vote their shares in the other corporations in favor of the various proposals.

The number of shares of Consolidated Faraday to be issued to Metal Mines was determined by the Boards of Directors of Faraday, Augustus and Metal Mines. In determining the relative share entitlements of each company, the respective Boards of Directors considered among other things, earnings, dividends, assets, management, and risks, trends and developments in the business and industry, as well as the existing common control, tax savings and co-ordination of operations.

Rights of Dissenting Shareholders

There will be no major modification of the rights and privileges of the shareholders of Metal Mines and Augustus as a result of the proposed transactions.

Messrs. Macdonald and Macintosh, counsel for Faraday and Messrs. Day, Wilson, Campbell and Martin, counsel for Augustus and Metal Mines have advised that dissenting shareholders of Faraday, Augustus or Metal Mines do not have any appraisal or similar rights.

DESCRIPTION OF CONSOLIDATED FARADAY

General

Assuming the consummation of the transactions outlined above, the authorized capital stock of Consolidated Faraday will be 3,500,000 shares, of which 2,531,390 shares will be issued and outstanding, as follows:

1,213,542 shares will be issued in exchange for Faraday shares.
750,498 shares will be issued in exchange for Augustus shares.
567,350 shares will be issued in exchange for the net assets of Metal Mines.
<u>2,531,390 shares</u>

In addition, an aggregate of 85,833 shares will be reserved for exercise of options previously held by certain officers and/or directors of Augustus and Metal Mines. See MANAGEMENT — OPTIONS.

It is expected that the combination of the three companies will be completed within 21 days after approval by the shareholders of the respective corporations. Promptly after the issuance of Letters Patent

confirming the Amalgamation Agreement, notices will be sent to all Faraday, Augustus and Metal Mines shareholders informing them of the procedures to be followed in exchanging their share certificates for certificates for shares of Consolidated Faraday.

Operation of Consolidated Faraday

The present executive offices of Faraday, Augustus and Metal Mines at 100 Adelaide Street West, Toronto, Ontario, will serve as the executive offices of Consolidated Faraday. There will be no material change in the present business operations of Faraday, Augustus and Metal Mines following the combination of the three corporations. See page 20 herein for a description of their business and properties. All employees of Faraday, Augustus and Metal Mines (approximately 235 in all) will become employees of Consolidated Faraday at their present salaries.

Consolidated Faraday will possess all of the properties, rights, privileges and franchises and shall be subject to all of the liabilities, contracts, disabilities and debts of Faraday, Augustus and Metal Mines. All rights which creditors have against the properties and assets of Faraday, Augustus and Metal Mines and all liens upon such properties and assets shall not be affected by the transactions described herein. All debts, contracts, liabilities and other obligations of Faraday, Augustus and Metal Mines shall become obligations of Consolidated Faraday.

Description of Stock of Consolidated Faraday

Consolidated Faraday will have only one class of capital stock outstanding with no par value. Each share of capital stock will be entitled to one vote per share on all matters submitted to shareholders. The capital stock will not have cumulative voting rights. Holders of capital stock will be entitled to receive such dividends as the Board of Directors may lawfully declare. Upon liquidation or dissolution of Consolidated Faraday, whether voluntary or involuntary, all shares of capital stock will be entitled to share equally in the assets available for distribution to stockholders.

All of the shares of capital stock, when issued in accordance with the transactions described herein, will be validly issued, fully paid and non-assessable. The holders of capital stock will have no preemptive rights to subscribe for any additional shares of stock.

It is anticipated that the capital stock of Consolidated Faraday will be listed on the American, Toronto, Canadian and Vancouver Stock Exchanges following consummation of the transactions.

MANAGEMENT

Faraday, Augustus and Metal Mines currently have certain directors and officers in common, as is indicated in the following table:

	FARADAY		METAL MINES		AUGUSTUS	
	Director	Officer	Director	Officer	Director	Officer
A. W. Johnston	x	x	x	x	x	x
L. E. Wetmore	x	x	x	x	x	x
W. C. Campbell	x		x		x	x
A. B. Whitelaw	x		x		x	
H. B. Hicks	x	x	x	x	x	x
G. L. Jennison	x					
J. K. McCausland	x					
D. L. Marcus			x	x	x	
G. Perley-Robertson . . .			x		x	
Eliot Janeway			x			
John Beattie			x			
W. M. O'Shaughnessy . .		x		x		x

Augustus presently controls both Faraday and Metal Mines. Augustus, in turn, is controlled by Messrs. A. W. Johnston, L. E. Wetmore and W. C. Campbell. Augustus' outstanding capital stock consists of 4,454,811 shares of which 298,401 shares are beneficially owned by Mr. Johnston, 88,334 shares by Mr. Wetmore and 50,000 shares by Mr. Campbell; in addition, Messrs. Johnston, Wetmore and Campbell, by certain voting agreements, have the right to vote an additional 477,050 shares. Certain corporations of which the foregoing persons are directors and officers hold an additional 436,598 shares. In addition, as previously indicated, Metal Mines owns 702,319 shares of Augustus stock.

It is contemplated that upon completion of the proposed transactions the nine directors of Faraday will constitute the Board of Consolidated Faraday. The officers of Consolidated Faraday are expected to be as follows:

<u>Name</u>	<u>Office</u>
A. W. JOHNSTON	President and a Director
D. L. MARCUS	Executive Vice President and a Director
H. BRODIE HICKS	Vice President, Operations, and a Director
L. E. WETMORE	Secretary
W. M. O'SHAUGHNESSY	Treasurer

The following table sets forth the shareholdings of the directors and officers of Faraday, Augustus and Metal Mines and the proposed officers and directors of Consolidated Faraday in each of the three corporations and in Consolidated Faraday.

	<u>Faraday</u>	<u>Metal Mines</u>	<u>Augustus</u>	<u>Consolidated Faraday</u>
A. W. Johnston	4,001	2*	298,401	63,682
L. E. Wetmore	1,080	8,401*	88,334	22,947
W. C. Campbell	10	1	50,000*	10,010
H. B. Hicks	2	1*	5,001*	1,002
D. L. Marcus	4,000	2,000*	125,000	30,000
G. Perley-Robertson	1,000	1,500	2,000	2,150
Eliot Janeway	—	1**	—	—
G. L. Jennison	4,413	—	—	4,413
J. K. McCausland	2	—	—	2
A. B. Whitelaw	1	1	103	22
John Beattie	—	1	44	9
W. M. O'Shaughnessy	11	1*	—	11
George T. Smith	—	—	—	—
Jules Loeb	—	—	57,500	11,500

* In addition, options to purchase further shares are held. See "MANAGEMENT — Options," below.

**In addition two corporations in which Mr. Janeway is a substantial but minority stockholder each own 8,570 shares of Metal Mines.

Options

There are outstanding options to purchase an aggregate of 145,000 shares of Metal Mines pursuant to an Incentive Stock Option Plan of Metal Mines authorized by the directors and approved by the shareholders. The options are exercisable on or before June 30, 1975, at a price of \$1.30 per share. The respective optionees and number of shares under option are as follows:

A. W. Johnston	70,000 shares
Daniel L. Marcus	35,000 shares
H. Brodie Hicks	25,000 shares
L. E. Wetmore	10,000 shares
W. M. O'Shaughnessy	5,000 shares

On July 21, 1966 when said options were granted shares of Metal Mines traded on the Toronto Stock Exchange at a high of \$1.49 and a low of \$1.45 per share.

There are outstanding options to purchase an aggregate of 66,666 shares of Augustus at 50¢ per share exercisable not later than May 19, 1970. These options were granted on May 19, 1965, pursuant to an Incentive Stock Option Plan and cover 33,333 shares in favour of H. Brodie Hicks and 33,333 shares in favour of W. C. Campbell. Options covering 100,000 shares and 33,334 shares in favour of A. W. Johnston and L. E. Wetmore granted on the same date were exercised in the year 1965, also at 50¢ per share.

At the date said options were granted, the market for shares of Augustus on the Canadian Stock Exchange was 30½¢ per share. The market at the date of exercise, on the same exchange was 55¢ per share.

In all cases, options provide that the rights are not transferable and lapse within six months of the termination of the association of the optionee with the optionor company or on the expiration of six months from his death.

The Metal Mines options presently outstanding will be adjusted to permit the purchase of an aggregate of 72,500 shares of Consolidated Faraday at \$2.60 per share, the Augustus options presently outstanding will be adjusted to permit the purchase of an aggregate of 13,333 shares of Consolidated Faraday at \$2.50 per share.

TAX ASPECTS

In order to determine whether the proposed transactions will result in the recognition of taxable gain or loss to United States shareholders of Faraday, Augustus and Metal Mines, the corporations are required to apply to the Commissioner of Internal Revenue pursuant to the provisions of Section 367 of the United States Internal Revenue Code for appropriate rulings that said transactions are not in pursuance of a plan having as one of its principal purposes the avoidance of United States income taxes. Such applications have been made but rulings thereon have not been received at the date of this Proxy Statement. In the opinion of Messrs. Macdonald and Macintosh, counsel for Faraday, and Messrs. Day, Wilson, Campbell & Martin, counsel for Augustus and Metal Mines, Canadian shareholders will incur no tax liability by virtue of the consolidation.

The proposed consolidation will not in the opinion of Messrs. Macdonald & Macintosh and Messrs. Day, Wilson, Campbell & Martin result in any material change in tax liability to Consolidated Faraday from that of the existing corporations.

MARKET PRICES OF COMMON STOCK OF FARADAY, AUGUSTUS AND METAL MINES

The following table shows the high and low sales prices for shares of Faraday on the Toronto and American Stock Exchanges, of Metal Mines on the Toronto Stock Exchange and of Augustus on the Canadian Stock Exchange for each quarter during the past two years:

	Faraday		Toronto Stock		Metal Mines		Augustus	
	American Stock Exchange High Low		Exchange High Low		High Low		High Low	
1965: Quarter Ended								
March 31	4	2 15/16	4.20	3.15	2.13	1.55	42	28
June 30	3 7/16	2 3/4	3.75	2.95	1.99	1.43	34	29
September 30	3 3/8	2 5/8	3.70	2.85	1.99	1.36	86	29
December 31	3 1/8	2 11/16	3.45	2.99	1.92	1.51	74	40
1966: Quarter Ended								
March 31	4	2 3/4	3.65	3.00	1.82	1.50	53	40
June 30	4 9/16	3	4.15	3.20	1.74	1.45	62	45
September 30	3 1/2	2 5/8	3.80	2.85	1.53	1.18	65	44
December 31	3 1/16	1 15/16	3.25	2.20	1.27	.91	52	40

The above prices are quoted in Canadian currency, except for the prices on the American Stock Exchange.

CAPITALIZATION

The following table sets forth the capitalization of Faraday, Augustus and Metal Mines, as at December 31, 1966, and on a pro forma basis after giving effect to the proposed combination:

	Authorized	Outstanding December 31, 1966
Faraday		
Common Stock, no par value	3,500,000 shs.	1,762,364 shs.
Augustus		
Common Stock, \$1.00 par value	10,000,000 shs.(1)	4,454,811 shs.
Metal Mines		
Common Stock, \$1.00 par value	8,500,000 shs.(2)	7,215,700 shs.
Consolidated Faraday (Pro Forma)		
Common Stock, no par value	3,500,000 shs.(3)	2,531,390 shs.

(1) 66,666 shares are reserved for issuance upon exercise of options under an incentive option plan. (See Note 6 to the Consolidated Financial Statements of Augustus).

(2) 145,000 shares are reserved for issuance upon exercise of options under an incentive option plan. (See Note 8 to the Financial Statements of Metal Mines).

(3) 85,833 shares are reserved for issuance upon exercise of options under an incentive option plan.

THE CANADIAN FARADAY CORPORATION LIMITED AND ITS SUBSIDIARY, METAL MINES LIMITED

CONSOLIDATED STATEMENT OF INCOME

(Note 1)

The following consolidated statement of income has been examined by Thorne, Mulholland, Howson & McPherson, independent chartered accountants, whose opinion thereon appears elsewhere in this Proxy Statement. This statement should be read in conjunction with the consolidated financial statements including the notes thereto and the accountants' report thereon, of The Canadian Faraday Corporation Limited and its subsidiary, Metal Mines Limited, included elsewhere in this Proxy Statement.

	Year ended December 31			
	1966	1965	1964	1963
Sale of concentrates	\$3,608,465	\$3,040,285	\$2,733,554	\$ 910,086
Operating expenses:				
Development	68,399	109,599	117,276	77,801
Mining	1,691,071	1,316,551	1,183,882	425,157
Milling	343,938	264,893	268,704	108,207
Marketing	373,193	324,951	306,611	95,636
Mine office and general expense	560,237	488,114	418,298	159,642
Administration	256,695	246,855	189,040	73,125
Depreciation (note 6)	346,563	340,923	323,811	142,504
Amortization of deferred development (note 6)	37,020	21,775	14,031	5,999
Loss on disposal of fixed assets	13,978	14,682	504	21,226
Deduct Sundry income	3,691,094	3,128,343	2,822,157	1,109,297
	74,465	78,556	45,332	14,591
	3,616,629	3,049,787	2,776,825	1,094,706
	(8,164)	(9,502)	(43,271)	(184,620)
Net income from discontinued Bancroft uranium operations			477,784	1,492,494
	(8,164)	(9,502)	434,513	1,307,874
Bancroft mine maintenance (b)	45,959	46,367		
	(54,123)	(55,869)		
Interest earned:				
Metal Mines Limited (prior to acquisition of a majority of its shares)				163,950
Other subsidiaries, not consolidated			44,590	8,802
Other (net)	58,820	58,328		107,790
	58,820	58,328	44,590	280,542
Profit on securities (c)	325,106	5,000	471,063	
	383,926	63,328	515,653	280,542
Income before undernoted items	329,803	7,459	950,166	1,588,416
				308,243
				5,742
				172,069
				308,243
				308,243
				308,243
				3,032,344

Outside exploration	111,173	176,221	108,554	133,631	180,195
Bond interest (note 13)				15,000	
	<u>111,173</u>	<u>176,221</u>	<u>108,554</u>	<u>148,631</u>	<u>180,195</u>
Income (loss) before subsidiary losses and income taxes	<u>218,630</u>	<u>(168,762)</u>	<u>841,612</u>	<u>1,439,785</u>	<u>2,852,149</u>
Allowance for losses not consolidated:					
Trigon Associates Limited	79,200	135,000	194,500	119,400	11,808
Other	<u>79,200</u>	<u>25,500</u>	<u>75,500</u>	<u>14,083</u>	<u>65,709</u>
Income (loss) before taxes	<u>139,430</u>	<u>160,500</u>	<u>270,000</u>	<u>133,483</u>	<u>77,517</u>
Taxes on income (note 14)		<u>(329,262)</u>	<u>571,612</u>	<u>1,306,302</u>	<u>2,774,632</u>
Income (loss) before minority interest	<u>139,430</u>	<u>(329,262)</u>	<u>571,612</u>	<u>1,306,302</u>	<u>258,262</u>
Portion of income (loss) of subsidiary, Metal Mines Limited, applicable to minority interest					<u>2,516,370</u>
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	<u>30,545</u>	<u>(3,723)</u>	<u>49,730</u>	<u>70,642</u>	<u>2,516,370</u>
Extraordinary items (d)	<u>108,885</u>	<u>(325,539)</u>	<u>521,882</u>	<u>1,235,660</u>	<u>2,516,370</u>
NET INCOME (LOSS) FOR YEAR (notes 14, 15, 16 and 17) (e)	<u>(54,321)</u>	<u>(542,999)</u>	<u>1,027,764</u>	<u>1,235,660</u>	<u>2,516,370</u>

Per share information based on 1,762,364 shares issued:

Income (loss) before extraordinary items	\$0.062	(\$0.185)	\$0.296	\$0.701	\$1.428
Extraordinary items	(0.093)	(0.123)	0.287		
Net income (loss) for year	<u>(\$0.031)</u>	<u>(\$0.308)</u>	<u>\$0.583</u>	<u>\$0.701</u>	<u>\$1.428</u>
Cash dividends declared	<u>\$0.125</u>	<u>\$0.25</u>	<u>\$0.25</u>	<u>\$0.50</u>	<u>\$0.50</u>

NOTES: (a) Numerical note references are to notes to consolidated financial statements of The Canadian Faraday Corporation Limited and its subsidiary, Metal Mines Limited, included elsewhere in this Proxy Statement.

(b) Proceeds from sale of salvage from the discontinued Bancroft operation have been credited against actual expenses incurred in mine maintenance.

(c) Average cost was used in determining profit on securities, except that the full proceeds from sale of shares of Smelter Power Corporation (\$236,500 in 1966 and \$5,000 in 1965) have been included in the amounts shown for 1966 and 1965 because the stated value of these shares had been written down from cost to a nominal value of \$1 in a prior year.

(d) The extraordinary items are as follows:

	1966	1965	1964
Proceeds from disposal of Bancroft Division's fixed assets upon discontinuance of operation		\$ 80,179	\$ 600,452
Deduct Minority interest therein		<u>12,639</u>	<u>94,570</u>
		<u>67,540</u>	<u>505,882</u>

DEDUCT:

Provision for guarantee upon liquidation of Trigon Associates Limited	\$ 100,000	285,000	
Advance to another company written off	<u>75,000</u>	<u>285,000</u>	
	<u>175,000</u>		
Deduct Minority interest therein	<u>11,794</u>	<u>285,000</u>	
	<u>163,206</u>	<u>285,000</u>	
	<u>\$(163,206)</u>	<u>\$(217,460)</u>	<u>\$ 505,882</u>

(e) Reference should be made to note 17 of the notes to consolidated financial statements for comparison of the amounts shown above for net income and that in the published annual reports to shareholders.

METAL MINES LIMITED

(No Personal Liability)

STATEMENT OF INCOME

(note 1)

The following statement of income has been examined by Thorne, Gunn, Helliwell & Christenson, independent chartered accountants, whose opinion thereon appears elsewhere in this Proxy Statement. The statement should be read in conjunction with the financial statements including the notes thereto, and the accountants' report thereon, of Metal Mines Limited included elsewhere in this Proxy Statement.

	Year ended December 31			
	1966	1965	1964	1963
Sale of concentrates	\$3,608,465	\$3,040,285	\$2,733,554	\$2,041,884
Operating expenses:				
Development	68,399	109,599	117,276	150,613
Mining	1,691,071	1,316,551	1,183,882	764,975
Milling	343,938	264,893	268,704	249,532
Marketing	373,193	324,951	306,611	216,918
Mine office and general expense	560,237	488,115	418,298	308,625
Administration	185,442	179,375	110,455	81,649
Depreciation (note 3)	346,563	340,923	323,811	279,897
Amortization of deferred development (note 3)	37,020	21,775	14,031	5,999
Loss on disposal of fixed assets	13,978	14,682	504	32,873
Amortization of preproduction expenditures for six months ended June 30, 1963 (note 3)				269,442
	3,619,841	3,060,864	2,743,572	2,360,523
Deduct Sundry income	74,465	78,556	45,332	25,165
	3,545,376	2,982,308	2,698,240	2,335,358
	63,089	57,977	35,314	(293,474)
Net income from discontinued Bancroft uranium operations ..			477,784	780,803
	63,089	57,977	513,098	487,329
Bancroft mine maintenance (c)	45,959	46,367		
	17,130	11,610	513,098	487,329
Interest earned	57,079	56,222	41,147	8,214
Income before undernoted items	74,209	67,832	554,245	495,543
Outside exploration	111,173	156,383	101,659	47,605
Bond interest (note 9)				123,450
Allowance for losses of affiliated companies				1,000
	111,173	156,383	101,659	172,055
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	(36,964)	(88,551)	452,586	323,488
Extraordinary items (d)	165,720	134,575	572,117	
NET INCOME FOR YEAR (notes 10, 11, 12 and 13) (e)	\$ 128,756	\$ 46,024	\$1,024,703	\$ 323,488

METAL MINES LIMITED

STATEMENT OF INCOME (continued) (note 1)

Per share information based upon 7,215,700 shares issued:

Income (loss) before extraordinary items	(\$0.005)	(\$0.012)	\$0.063	\$0.045
Extraordinary items	0.022	0.018	0.079	
Net income for year	<u>\$0.017</u>	<u>\$0.006</u>	<u>\$0.142</u>	<u>\$0.045</u>
Cash dividends declared	\$0.04	\$0.04	\$0.08	\$0.08

NOTES:

- (a) Numerical note references are to notes to financial statements of Metal Mines Limited included elsewhere in this Proxy Statement.
- (b) Average cost was used in determining profit on securities, except that the full proceeds from sale of shares of Smelter Power Corporation (\$236,500 in 1966 and \$5,000 in 1965) have been included in the amounts shown for 1966 and 1965 because the stated value of these shares had been written down from cost to a nominal value of \$1 in a prior year.
- (c) Proceeds from sale of salvage from the discontinued Bancroft operation have been credited against actual expenses incurred in mine maintenance.

	Year ended December 31		
	1966	1965	1964
(d) The extraordinary items are as follows:			
Profit (loss) on securities (b)	\$240,720	\$ 5,000	\$(28,335)
Proceeds from disposal of Bancroft Division's fixed assets upon discontinuance of operation		80,179	600,452
Gain on realization of income taxes recoverable acquired from The Canadian Faraday Corporation Limited		49,396	
	<u>240,720</u>	<u>134,575</u>	<u>572,117</u>
Deduct Advance to another company written off	<u>75,000</u>		
	<u>\$165,720</u>	<u>\$134,575</u>	<u>\$572,117</u>

- (e) Reference should be made to note 13 of the notes to financial statements for comparison of the amounts shown above for net income and that in the published annual reports to shareholders.

AUGUSTUS EXPLORATION LIMITED

AND ITS WHOLLY OWNED SUBSIDIARY

N M C SECURITIES LIMITED

CONSOLIDATED STATEMENT OF INCOME

(note 1)

The following consolidated statement of income has been examined by Thorne, Mulholland, Howson & McPherson, independent chartered accountants, whose opinion appears elsewhere in this Proxy Statement. This statement should be read in conjunction with the consolidated financial statements including the notes thereto and the accountants' report thereon, of Augustus Exploration Limited and its wholly owned subsidiary, N M C Securities Limited, included elsewhere in this Proxy Statement.

	Years ended December 31				
	1966	1965	1964	1963	1962
Revenue:					
Dividends from affiliates	\$ 137,377	\$ 70,016	\$ 134,647	\$ 272,553	\$ 265,812
Engineering, geological and management fees (net)				43,864	71,329
Profit (loss) on securities	(24,526)	1,372	49,367	12,228	(555,415)
	112,851	71,388	184,014	328,645	(218,274)
Expenses:					
General exploration	23,247	33,809	25,800	55,239	81,107
Administration (including directors' fees and expenses of \$1,971 in 1966)	64,903	49,516	46,461	65,819	70,343
Depreciation (note 5)	4,667	3,860	3,905	4,545	4,429
	92,817	87,185	76,166	125,603	155,879
<i>Deduct:</i>					
Interest income (net)	3,691	3,357	829	(5,031)	(20,978)
Sundry income	5,574	5,596	4,990	1,953	5,724
	9,265	8,953	5,819	(3,078)	(15,254)
	83,552	78,232	70,347	128,681	171,133
Income (loss) before undernoted items	29,299	(6,844)	113,667	199,964	(389,407)
<i>Deduct</i> Investment in and advances to other companies written off	19,580	654	1,216	67,276	
INCOME (LOSS) FOR YEAR BEFORE EXTRAORDINARY ITEMS	9,719	(7,498)	112,451	132,688	(389,407)

Deduct Extraordinary items being cost of mining claims abandoned (less profit on sale of claims \$1,035, in 1964)

NET INCOME (LOSS) FOR YEAR (notes 7 and 8) (b)	199,875	2,575	9,556	64,291	20,348
	<u>\$(190,156)</u>	<u>\$(10,073)</u>	<u>\$102,895</u>	<u>\$68,397</u>	<u>\$(409,755)</u>
Per share information based on 4,454,811 shares issued:					
Income (loss) for year before extraordinary items	\$0.002	\$ (0.002)	\$0.025	\$0.029	\$ (0.087)
Extraordinary items	<u>(0.045)</u>	<u>—</u>	<u>(0.002)</u>	<u>(0.014)</u>	<u>(0.005)</u>
Net income (loss) for year	<u>\$ (0.043)</u>	<u>\$ (0.002)</u>	<u>\$0.023</u>	<u>\$0.015</u>	<u>\$ (0.092)</u>

NOTES: (a) Numerical note references are to notes to consolidated financial statements of Augustus Exploration Limited and its wholly owned subsidiary, N M C Securities Limited, included elsewhere in this Proxy Statement.

(b) Reference should be made to note 8 of the notes to consolidated financial statements for comparison of the amounts shown for net income and that as previously reported to shareholders.

CONSOLIDATED CANADIAN FARADAY LIMITED

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME

(note 1)

The following unaudited pro forma combined statement of income, giving effect to the proposed pro forma transactions as outlined in Note 2 to the unaudited pro forma financial statements of Consolidated Canadian Faraday Limited, is a mathematical compilation of the accounts of the three companies as shown by the related statements of income and indicates the results of operations for the five years ended December 31, 1966 as if The Canadian Faraday Corporation Limited had amalgamated with Augustus Exploration Limited and the resulting corporation had acquired the net assets of Metal Mines Limited. Separate financial statements of these companies, and the reports of the independent chartered accountants thereon, are shown elsewhere in this Proxy Statement and the following unaudited pro forma combined statement of income should be read in conjunction with those statements including the notes thereto and the accountants' reports thereon.

	Year ended December 31			
	1966	1965	1964	1963
Sale of concentrates	\$3,608,465	\$3,040,285	\$2,733,554	\$2,041,884
Profit (loss) on securities	300,580	6,372	520,430	12,228
Engineering, geological and management fees (net)	<u>3,909,045</u>	<u>3,046,657</u>	<u>3,253,984</u>	<u>2,082,610</u>
				\$ (555,415)
				<u>56,329</u>
				<u>(499,086)</u>
Operating expenses:				
Development	68,399	109,599	117,276	150,613
Mining	1,691,071	1,316,551	1,183,882	764,975
Milling	343,938	264,893	268,704	249,532
Marketing	373,193	324,951	306,611	216,918
Mine office and general expense	560,237	488,115	418,298	308,625
Administration	321,598	296,370	235,501	177,157
Depreciation	351,230	344,783	327,716	284,442
Amortization of deferred development	37,020	21,775	14,031	5,999
Loss on disposal of fixed assets	13,978	14,682	504	32,873
Amortization of preproduction expenditures for six months ended June 30, 1963				70,343
				4,429
	<u>3,760,664</u>	<u>3,181,719</u>	<u>2,872,523</u>	<u>2,364,029</u>
				<u>172,895</u>
				<u>74,772</u>
Deduct Sundry income	80,039	84,152	50,322	27,118
	<u>3,680,625</u>	<u>3,097,567</u>	<u>2,822,201</u>	<u>2,336,911</u>
				<u>69,048</u>
	<u>228,420</u>	<u>(50,910)</u>	<u>431,783</u>	<u>(254,301)</u>
			<u>477,784</u>	<u>1,491,320</u>
Net income from discontinued Bancroft uranium operations	<u>228,420</u>	<u>(50,910)</u>	<u>909,567</u>	<u>1,237,019</u>
				<u>2,155,967</u>

Bancroft mine maintenance	45,959	46,367	909,567	1,237,019	2,155,967
Interest earned:	182,461	(97,277)			
Subsidiaries, not consolidated				8,802	5,742
Other (net)	62,511	61,685	45,419	91,665	151,091
	62,511	61,685	45,419	100,467	156,833
Income before undernoted items	244,972	(35,592)	954,986	1,337,486	2,312,800
Outside exploration	134,420	210,030	134,354	188,870	261,302
Bond interest				30,000	
Investment in and advances to other companies written off	94,580	654	1,216	67,276	
	229,000	210,684	135,570	286,146	261,302
Income (loss) before subsidiary losses and income taxes	15,972	(246,276)	819,416	1,051,340	2,051,498
Allowance for losses of subsidiaries, not consolidated:					
Trigon Associates Limited		135,000	194,500	119,400	11,808
Other	79,200	25,500	75,500	14,083	65,709
	79,200	160,500	270,000	133,483	77,517
Income before undernoted taxes	(63,228)	(406,776)	549,416	917,857	1,973,981
Taxes on income					258,262
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS	(63,228)	(406,776)	549,416	917,857	1,715,719
Extraordinary items:					
Add Proceeds from disposal of Bancroft Division's fixed assets upon discontinuance of operation		80,179	600,452		
		(326,597)	1,149,868		
Deduct:					
Provision for guarantee upon liquidation of Trigon Associates Limited	100,000	285,000		64,291	20,348
Cost of mining claims abandoned	199,875	2,575	9,556		
	299,875	287,575	9,556	64,291	20,348
NET INCOME (LOSS) FOR YEAR	(\$363,103)	(\$614,172)	\$1,140,312	\$ 853,566	\$1,695,371
Per share information based on 2,513,390 shares to be issued:					
Income (loss) before extraordinary items	(\$0.025)	(\$0.161)	\$0.219	\$0.365	\$0.683
Extraordinary items	(0.119)	(0.083)	0.235	(0.025)	(0.008)
Net income (loss) for year	(\$0.144)	(\$0.244)	\$0.454	\$0.340	\$0.675

NOTE: In compiling the above unaudited statement, all inter-company dividends and other inter-company revenue and expense items have been eliminated.

COMPARATIVE PER SHARE DATA

THE CANADIAN FARADAY CORPORATION LIMITED

	Year ended December 31		
	1966	1965	1964
Historical income:			
Based on 1,762,364 shares issued			
Before extraordinary items	\$0.062	(\$0.185)	\$0.296
After extraordinary items	(0.031)	(0.308)	0.583
Pro forma income:			
Before extraordinary items	(0.025)	(0.161)	0.219
After extraordinary items	(0.144)	(0.244)	0.454
Historical cash dividends:			
Based on 1,762,364 shares issued	0.125	0.25	0.25
			0.50
			0.50

METAL MINES LIMITED

Historical income:			
Based on 7,215,700 shares issued			
Before extraordinary items	(0.005)	(0.012)	0.063
After extraordinary items	0.017	0.006	0.142
Pro forma income:			
Before extraordinary items	(0.012)	(0.080)	0.109
After extraordinary items	(0.072)	(0.122)	0.227
Historical cash dividends:			
Based on 7,215,700 shares issued	0.04	0.04	0.08
			0.08
			0.08

AUGUSTUS EXPLORATION LIMITED

Historical income:

Based on 4,454,811 shares issued

Before extraordinary items	0.002	(0.002)	0.025	0.029	(0.087)
After extraordinary items	(0.043)	(0.002)	0.023	0.015	(0.092)

Pro forma income:

Before extraordinary items	(0.005)	(0.032)	0.044	0.073	0.136
After extraordinary items	(0.028)	(0.048)	0.091	0.068	0.135

Historical cash dividends:

Based on 4,454,811 shares issued	—	—	—	—	—
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COMPARATIVE BOOK VALUE DATA

December 31, 1966

	Historical	Pro Forma
The Canadian Faraday Corporation Limited	\$ 3.201	\$ 2.938
Metal Mines Limited	0.867	1.469
Augustus Exploration Limited	0.815	0.588
NOTE Net income (loss) per share for the year ended December 31, 1966 and book value per share at that date, after taking into consideration the respective companies' reciprocal shareholdings, were as follows:		
	Net income (loss)	Book Value
The Canadian Faraday Corporation Limited	(\$ 0.059)	\$ 3.629
Metal Mines Limited	0.010	0.990
Augustus Exploration Limited	(0.081)	1.262

BUSINESS AND PROPERTIES OF FARADAY, METAL MINES AND AUGUSTUS

The business and properties of Faraday, Augustus and Metal Mines are described below. There have been no significant changes in mining conditions in the deposits being mined over the past several years, nor are any changes contemplated other than those which are mentioned below. All dollar amounts are expressed in Canadian Funds. On March 31, 1967, the Canadian dollar was quoted at 92.38 cents U.S.

BUSINESS AND PROPERTIES OF FARADAY

Faraday functions as a holding company, owning shares in other companies which are its sole source of income. It does not own any mining properties in its own right. Faraday's principal interests are as follows:

1. Its majority ownership (84.27% of the issued capital stock) of Metal Mines.
2. 167,980 shares in Western Mines Limited ("Western"), constituting 3.5% of Western's issued capital stock. In addition to these shares, Metals Mines owns 50,000 shares. Western is an active Canadian mining company, which recently completed construction of a \$12,000,000 mining and milling plant near Buttle Lake, on Vancouver Island, Province of British Columbia. Production at a daily rate of 800 tons of ore commenced in January 1967. Faraday has representation on the Board of Directors of Western, but otherwise has no control over its operations and has made no investigation of the ore reserves and grade. Faraday's investment in Western is considered only a minor part of its total investments on a consolidated basis and it is not considered important in the light of the total assets of Faraday and its consolidated subsidiary.
3. Through Bancroft Holdings Limited, a wholly-owned subsidiary, Faraday has minor real estate interests in both Canada and the United States. Faraday's investment in subsidiaries other than Metal Mines is not substantial having regard to the total consolidated assets of Faraday.

BUSINESS AND PROPERTIES OF METAL MINES

Werner Lake Division:

At December 31, 1966, Metal Mines held 128 claims having an aggregate area of 5,010 acres in the Gordon Lake Area of the District of Kenora, Ontario, of which 124 claims were patented and 4 claims were unpatented. The properties are located in unorganized territory, approximately 135 miles east of the City of Winnipeg and 65 miles east of the town of Lac du Bonnet, in the Province of Manitoba. No other producing mines are located in the immediate area. A mining plant and concentrator with a rated milling capacity on a 24-hour per day basis of 15,000 tons of ore per month are located on the properties. The maximum actual monthly throughput since October 1962 has been 19,400 tons.

The mine has been developed through a vertical, three-compartment shaft, extending to a depth of 1,700 feet, with levels at 150-foot intervals. Ore has occurred in vein-like structures and in lenticular masses and is irregularly distributed over the vertical extent of the mine with the greatest known concentration being in the vicinity of the 1,350 foot level. The mine workings on the bottom-most 1,650 foot level underlie higher mine levels that have developed substantial ore reserves; however, only minor amounts of mineable ore have been found on the 1,650 foot level on which approximately 50% of the favourable zone has been explored. It is possible that no additional ore will be found below the present mine bottom. Additional development at the 1,650 foot level is now under way, and it is expected that this will be followed by exploration in search of new orebodies below this depth. A program of lateral development on levels above the 1,650 foot level is also being carried on. Laterally, both east and west, the property has not been fully explored. The ore reserves at October 31, 1966 were estimated as follows:

<u>Category</u>	<u>Tons</u>	<u>Nickel, %</u>
Proven Ore	665,322	1.45
Probable Ore	102,085	1.26
	<u>767,407</u>	<u>1.42</u>

Proven ore refers to a body of ore so extensively sampled that the risk of failure in continuity of the ore in such body is reduced to a minimum; probable ore refers to ore as to which the risk of failure in continuity is greater than for proven ore, but as to which there is a sufficient basis for assuming continuity of the ore. Since copper assays are not routinely run on mine samples, no copper grade has been assigned to the reserves. However, copper grades have averaged 45% of the nickel grade with reasonable consistency. Thus, for a grade of 1.42% nickel, a copper grade of 0.64% would be probable. There is also a content of platinum and palladium in the ore which since 1963 has returned an average net value of approximately

\$1.25 per ton. At the present time, the ore reserves are appreciably lower both in tonnage and grade than at the commencement of production in October 1962. There is no assurance that additional reserves will be discovered.

The concentrates are sold to The International Nickel Company of Canada Limited ("International Nickel") under a five year contract, terminating in October 1967. To complete the contract will require the mining of approximately 145,000 tons of ore of average grade, leaving substantial remaining reserves. Under terms of the agreement with International Nickel, concentrates produced after termination of the contract, are first required to be offered to International Nickel which may at its option elect to purchase such concentrates. In the event that International Nickel elects not to purchase such further production, it is possible that no other commercial outlet for the concentrates could be found, in which event the then remaining reserves would not be mined. The contract with International Nickel calls for the delivery of concentrates with an approximate average content of 12% nickel and 5% copper. Rate of concentrate delivery for the first year of the contract (October 1962-October 1963) was limited to a maximum of 2,000 tons per month, equivalent to mining per month approximately 18,750 tons of ore of average grade. Thereafter, International Nickel could, at its option, limit shipments to not more than 1,500 tons per month. To date, it has not exercised this option. Although the grade of concentrate shipped has generally been of slightly lower tenor than the average content called for in the contract, the concentrate has been acceptable to International Nickel. Prices paid for the nickel, copper and platinum group metal content of the concentrates are based on prevailing world prices for these metals, less the usual reductions for smelting and treatment charges.

The mill was first turned over in October 1962, treating ore from surface dumps and underground development headings, and by December 1962 was in production from normal underground sources. Production data for the years 1963-1966 are as follows:

Year	Tons of Ore Milled	Ore Grade		Net Amount Received Per Ton of Ore Milled	Operating Cost Per Ton of Ore Milled
		Nickel	Copper		
1963	136,970	1.37%	0.56%	\$14.91	\$13.09
1964	192,874	1.22%	0.57%	\$14.17	\$12.33
1965	184,364	1.36%	0.64%	\$16.49	\$14.00
1966	211,228	1.26%	0.60%	\$17.06	\$14.95

The operating cost per ton of ore milled does not include bond interest, depletion, depreciation or deferred development cost. No figure is shown for amortization of preproduction expenditures which were fully written off in 1963. The average cost per ton of ore milled for deferred development cost from the commencement of the year 1963 to date has been \$0.30. No Corporate income taxes have been payable to date and, because of available write-offs, it is not believed that any tax will be payable for a further period of at least five years upon consummation of the transactions described herein.

Neither the rate of production nor the grade of ore has reached the originally projected goals. During the first two years of operation, this was due in large part to unexpected mining difficulties; since then the short-fall has been almost entirely due to a shortage of competent miners, a problem common to many mining areas in Canada. No alleviation of the shortage of miners is in sight.

The concentrator employs standard froth flotation methods to produce a single concentrate carrying the nickel, copper and platinum group metals. These concentrates are transported by truck to Lac du Bonnet, Manitoba, and from there, 900 miles by Canadian Pacific Railway to International Nickel's smelter at Clarabelle, a suburb of Sudbury, Ontario. The mining and milling plant employ approximately 225 men who are housed on property leased to them at nominal rentals by Metal Mines.

Bancroft Division:

The Bancroft Division comprises the former uranium-producing property and mining plant known as the Faraday Mine, situated in the Township of Faraday, Hastings County, Province of Ontario, approximately 150 miles northeast of the City of Toronto, Ontario. The area is serviced by all-weather roads and the Village of Bancroft, 4½ miles away, is served by the Canadian National Railway. At December 31st, 1966, the property comprised 4,876 acres, divided as follows:

Mining and Surface Rights — by Patent or Lease	1,552 acres
Mining Rights only — by Patent or Lease	1,693 acres
Mining Rights by Lease with Option to Purchase	853 acres
Surface Rights only	778 acres
	<hr/> 4,876 acres

Surface and mining rights are held to the property containing the mine workings, and on which Metal Mines has constructed mining and milling facilities. The mine was developed through a vertical shaft extending from the surface to a depth of approximately 1,400 feet, with levels at 150-foot intervals. The ore occurred in irregular masses with considerable variations in shape and attitude. Shrinkage, cut-and-fill, and open stoping methods were employed. Construction of a concentrator with a rated capacity (on a 24 hour per day basis) of 1,400 tons per day was completed early in 1957 and production was continuous from April of that year until the end of June 1964. The concentrator was operated for periods of one year or more at, or slightly above, the rated capacity, but for the most part, and particularly toward the end of the productive period, it was operated at lower rates, averaging approximately 1,000 tons per day in order to conform to production delivery schedules. Over the entire period of operation, 2,957,715 tons of ore were mined and milled for a production of 5,807,692 pounds of U_3O_8 . Average operating cost per pound of U_3O_8 produced was \$4.75, exclusive of bond interest, depreciation, amortization of pre-production development (averaging \$0.64 per pound U_3O_8), and corporate income tax. The operating cost was appreciably higher than that of other Canadian uranium producers.

Operations were suspended upon completion of all uranium sales contracts in June 1964. Since then, the mine has been allowed to flood. The nature of the rock and underground installation is such that no significant damage to the underground workings is anticipated; in addition, underground bulkheads were built to contain possible flows of sand filling. Although management believes that the mine can be pumped out without difficulty or unreasonable expense, there can be no guarantee as to the condition of the workings when they are de-watered. Most of the mining and crushing equipment has been sold, but with the exception of piping and wiring, which has been partially dismantled, virtually all of the concentrator equipment is intact. All of the production buildings have been retained.

The ore bodies found at this property were irregular in shape and discontinuous, making exploration and accurate ore reserve estimation difficult. When operations terminated in 1964, however, the mine workings down to the 1,050 foot level (150 feet above the 1,200 foot level, the lowest level on which any substantial development work has been conducted) had been sufficiently explored to prepare estimates of the tons of uranium mineralization of a grade somewhat better than that of the ore mined prior to the shutdown. Based on this work, the estimated tonnage is 290,450 tons, averaging 0.13% U_3O_8 . Since there is no apparent market at this time for the U_3O_8 contained in this ore, it cannot be considered as commercially mineable. The extent to which the ore may be mined depends on future economic conditions affecting uranium mining which cannot be foreseen. Sufficient exploratory work on the lowest partially developed 1,200 foot level has not been done to make reliable tonnage and grade estimates. However, a substantial number of drill hole intersections of the mineral structure gives widths and grades comparable to those on and above the 1,050 level. Apart from the area within and adjacent to the mine workings, the property has been little explored, but such exploration may be justified at some future date in view of known general geology.

Metal Mines, on September 8, 1966, granted to Federal Resources Corporation ("Federal") an unaffiliated corporation the right, exercisable on or before December 31st, 1966, to elect to de-water the workings and conduct such operations as may reasonably be determined to ascertain the existence, nature and extent of any ore body or ore bodies and to sample, diamond drill or otherwise explore for additional ore bodies. Federal has exercised this right, and in consequence is bound to spend at least an average of \$30,000 per month up to an aggregate of \$1,300,000 during the period from July 1, 1967 to July 1, 1970. At any time during the exploration period Federal may determine to discontinue its exploration and development operations and consider the commencement of mining operations. In the event that Metal Mines disagrees with this determination by Federal, the dispute will be resolved by arbitration. Prior to July 1, 1970, Federal must elect either to terminate the agreement and release all rights to Metal Mines or join with Metal Mines in the formation of a new corporation. Metal Mines would transfer the properties and facilities to the corporation and in consideration therefor would receive 49% of the stock of the corporation and the sum of \$1,000,000 payable out of production as set out below. Federal would then receive 51% of the stock in return for an investment of \$1,000,000. Federal would also be required to provide or cause to be provided through loans to the new corporation, such funds (estimated at \$2,500,000) as may be necessary to place the property into production at a minimum rate of 1,000 tons per day. The new corporation may secure such loans by a first mortgage, pledge or charge of its assets and undertaking. After repayment of the monies so provided by Federal for production, the cash consideration of \$1,000,000 payable to Metal Mines on the sale to the corporation of its mining properties and the amounts expended by Federal during the exploration and development period shall be repaid to Metal Mines and Federal respectively, out of a minimum of 60% of the net cash flow of the new corporation. After repayment of all obligations and provision for adequate working capital and management fees, all further profits of such corporation will be disbursed pro rata to Metal Mines and Federal by way of dividends.

Red Mountain Mines Limited:

Red Mountain Mines Limited ("Red Mountain"), a private company, incorporated in the Province of British Columbia, has outstanding 5,000,000 shares of common stock of which 3,000,000 shares are Class A common shares and 2,000,000 shares are Class B common shares. The Class A shareholders elect

two of the five Directors; the Class B shareholders elect three Directors. All of the Class A shares are held by Torwest Resources (1962) Ltd., the vendor of the property; the Class B shares are held equally by Metal Mines and Canadian Nickel Company Limited ("Canadian Nickel"), a wholly-owned subsidiary of International Nickel. Other than in the election of Directors, the two classes of shares rank pari passu in all respects. Operational management of Red Mountain is in the hands of Metal Mines. Since 1964 Canadian Nickel and Metal Mines have each advanced \$1,020,000 for capital expenditures required to place the property into production. For these advances, Canadian Nickel and Metal Mines will receive 6% Income Debentures, repayable from 80% of the net profits of Red Mountain, if any.

Red Mountain produces molybdenite (a molybdenum sulphide, MoS_2) concentrates from the property situated $1\frac{1}{2}$ miles north and west of the Town of Rossland, in southern British Columbia. The property consists of 20 mining claims held under various forms of tenure. All of the known ore reserves are situated on the Coxey Claim, wholly-owned by Red Mountain; the concentrator is situated on property presently leased from the Province of British Columbia pending completion of purchase arrangements. The mine is operated by normal open-pit methods. The concentrator, with a rated capacity of 400 tons-per-day (on a 24-hour basis), employs froth flotation to produce a concentrate with an approximate average content of 90% molybdenite, which is within normal specification for this concentrate material. The concentrator commenced operation in May 1966 and operated through June 1966 on a trial basis with approximate full production being obtained about the beginning of July 1966. Results of operations for July-December 1966 are as follows:

1966 Month	Tons Milled	Grade MoS_2 , %	Pounds MoS_2 Produced	Amount Received Per Ton	Operating Cost Per Ton
July	10,814	0.48	83,936	\$11.80	\$4.75
August	10,534	0.48	77,451	10.37	5.56
September	10,043	0.49	76,094	10.68	5.47
October	11,708	0.41	72,399	8.72	4.90
November	11,846	0.38	72,674	8.84	4.36
December	12,157	0.43	88,939	10.33	5.59

Operating cost per ton does not include interest, depreciation, depletion, or amortization of pre-production expenditures, estimated at \$0.32 per ton. Fluctuations in value of production and operating cost per ton have been caused both by irregular open-pit grades and by occasional poor recoveries in the mill where metallurgical experimentation is still continuing. Recoveries have ranged from a high of 86% in July to a low of 78% in September, with December averaging 85.0%.

International Nickel has agreed to purchase the whole of the concentrate produced, up to 2,000,000 pounds of MoS_2 per annum, for a period of five years from the commencement of production (July, 1966), with options for renewal for further periods of five years. Price to be paid for the MoS_2 in the concentrate is to be the averages of the prices for MoS_2 as published in "The Engineering and Mining Journal" (E. & M. J.) for the 90-day period immediately preceding the date upon which each lot is received by International Nickel, with no deductions. For the period from the commencement of commercial production to the end of the calendar year 1967, International Nickel has waived its right to purchase the concentrates and, for this period only, purchase contracts have been completed with Continental Ore Corporation of New York, at prices above the E. & M. J. quotations. The concentrates are packed in steel drums and payment is made f.o.b. rail cars at Trail, British Columbia, a distance of eight miles from the mining property. Ore reserves are estimated as follows:

Category	Tons	Molybdenite, %
Proven Ore	591,750	0.38
Probable Ore	199,871	0.34
	<u>791,621</u>	<u>0.37</u>

The property has not been fully explored, and it is the intention of Red Mountain to carry out broad additional exploratory work.

Prairie Potash Mines Limited:

Metal Mines owns approximately 35% of the outstanding capital stock of Prairie Potash Mines Limited ("Prairie Potash") and manages its operations. Canadian Nickel holds slightly in excess of 50% of the issued capital stock and may elect a majority of the Board of Directors and assume management and control at any time. Additionally, at any time on or before August 12th, 1967, Canadian Nickel has the right to subscribe such number of shares of Prairie Potash so that it will own not less than 66 $\frac{2}{3}$ % of the outstanding stock of Prairie Potash.

Prairie Potash holds potash rights covering 70,768 acres in the Province of Manitoba, immediately adjacent to the boundary with the Province of Saskatchewan, and approximately 40 miles northwest of the

Town of Virden, Manitoba. To date, Prairie Potash has expended \$708,626 in payment for rights, in drilling and in engineering and feasibility studies. Fifteen holes have been drilled, using standard potash exploration equipment, to the potash horizon which lies at a depth of some 3,000 feet below surface.

Spacing between holes has been from 1½ miles to 2 miles. On the basis of the drilling, 465,000,000 tons of potash-bearing material have been outlined with an average grade of 21.7% potassium oxide (K₂O) as sylvite. It is estimated that 40% of this material, or 186,000,000 tons, would be recoverable by standard mining methods. Assuming a recovery of 94% in the concentrator, it would require 2.94 tons of ore to produce one ton of finished product assaying 60.0% K₂O, a standard, commercial potash product. The average thickness of the potash-bearing material is 7.3 feet. The grade is substantially lower than that of some similar deposits currently being mined in Saskatchewan. The mining of this material would require sinking of one or more production shafts to the potash horizon at an approximate depth of 3,000 feet. In so doing, it would be necessary to sink through a heavily saturated water-bearing horizon, which has presented certain difficulties to others carrying out similar work. Studies are presently continuing with a view to determining whether there is commercial feasibility for this project. At the present time there is no known long-term outlet for the proposed product and, accordingly, no steps are being taken to place the property in production. There is heavy competition for market outlets for Saskatchewan and other potash.

Other Interests:

From time to time, Metal Mines has acquired mining prospects by staking, purchasing or optioning, on which it has carried out exploratory work. It has also participated in prospecting syndicates and has purchased minor share holdings in prospecting companies with properties at scattered locations throughout Canada. Expenditures on such exploratory activity since 1963 have been as follows:

1963	\$ 47,605
1964	101,659
1965	137,549
1966	111,173

To date, no deposit of commercial value has been discovered. Normally, no property is held after completion of the exploration program and, hence, assessment payments have been negligible. At the present time, the interests are not significant.

Metal Mines also owns 50,000 shares of Western Mines Limited discussed above.

BUSINESS AND PROPERTIES OF AUGUSTUS

Augustus is primarily an exploration company although it also holds shares in other mining companies. Its technical staff examines a number of mining prospects each year and, when warranted by such examinations, Augustus may acquire such properties by staking, by purchase or by option, and may carry out exploration work thereon, with the objective of finding sufficient mineable ore to support a mining operation. Additionally, Augustus participates from time to time in financing and managing prospecting syndicates, or may join with others in carrying out an exploration program on a mining prospect. During the five years, 1962 to 1966, inclusive, Augustus' expenditures on exploration, including examination of prospects, acquisition of properties and exploration work subsequent to acquisition, may be summarized as follows:

Year	Acquisition By Staking Or Otherwise	Exploratory Expenditures
1962	\$ 1,640	\$ 137,988
1963	4,000	79,097
1964	3,625	45,092
1965	5,500	68,180
1966	—	66,472
	<u>\$ 14,765</u>	<u>\$ 396,829</u>

Should exploration work reveal favourable geology or mineralization, although not of ore grade, or should a property be strategically located with respect to known ore occurrences on neighbouring properties, even though no structural continuity can be demonstrated, Augustus may elect to retain such property for an indefinite period and may subsequently carry out additional exploration work should altered economic or other circumstances so warrant. The current annual cost of holding all of Augustus' claims, including taxes, mining licence fees, renewal fees and acreage tax is \$1,513.

Augustus currently holds eleven properties in the Provinces of Ontario, Quebec and Saskatchewan, and has a 25% interest in a property in the Province of New Brunswick. During the current year, exploration

work has been carried out by geophysical surveying and/or diamond drilling on two of these properties. Augustus also holds a 22-claim group, covering 886 acres, in Daniel Township, Quebec, immediately east of a producing copper mine, although there is no known geological relationship of commercial significance. Some geophysical prospecting and diamond drilling has been carried out. During 1966 four diamond drill holes, with an aggregate length of 3,013 feet, were completed without finding any ore mineralization. Additional work may be undertaken in future years, but there are no definite plans at present to do so. In New Brunswick, Augustus, with three other mining companies as partners, optioned a 5,000-acre property and carried out geophysical surveying and completed six diamond drill holes with an aggregate length of 2,894 feet. Only minor amounts of mineralization were revealed and the option will be dropped. During the past ten years, no commercial ore bodies have been discovered by Augustus. Augustus owns shares in a number of other mining companies. Of these holdings, two only are considered as important.

- (1) 548,822 shares (31.1% of the issued capital stock) of Faraday, and
- (2) 1,458,035 shares (36.0% of the issued capital) of Hydra Explorations Limited (Hydra).

Hydra is a mining exploration company, closely associated with Augustus and with similar objectives. The remarks in preceding paragraphs with respect to the method of operation of Augustus' exploration activities may be applied equally to Hydra. At present, Hydra holds a number of mining properties, on none of which is any ore known to exist. Hydra has not, to date, discovered or developed any commercial mining properties. Amounts expended by Hydra in acquisition of properties and exploration thereon over the past five years are as follows:

<u>Year</u>	<u>Acquisition By Staking or Otherwise</u>	<u>Exploratory Expenditures</u>
1962	\$ 1,000	\$ 37,647
1963	200	17,064
1964	11,200	17,390
1965	3,600	228
1966	3,000	22,929
	<u>\$ 19,000</u>	<u>\$ 95,258</u>

The current annual cost of holding all of Hydra's claims, including taxes, mining licence fees, renewal fees and acreage tax is \$6,086.

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CONSOLIDATED CANADIAN FARADAY LIMITED

Incorporated under the laws of Ontario

UNAUDITED PRO FORMA BALANCE SHEET

DECEMBER 31, 1966

(note 1)

The following unaudited pro forma balance sheet, giving effect to the proposed pro forma transactions as outlined in note 2 to the unaudited pro forma financial statements of Consolidated Canadian Faraday Limited, is a mathematical compilation of the accounts of the three companies as shown by the related consolidated balance sheets of The Canadian Faraday Corporation Limited and Augustus Exploration Limited and the balance sheet of Metal Mines Limited. It indicates the company's financial position on a basis as it would have appeared at December 31, 1966, had the transactions set forth in note 2 to the unaudited pro forma financial statements of Consolidated Canadian Faraday Limited been consummated at that date. The unaudited pro forma balance sheet should be read in conjunction with the following financial statements including the notes thereto and the accountants' reports thereon, which are shown elsewhere in this Proxy Statement:

The Canadian Faraday Corporation Limited and its subsidiary, Metal Mines Limited.

Augustus Exploration Limited and its wholly owned subsidiary, NMC Securities Limited.

ASSETS

	The Canadian Faraday Corporation Limited Consolidated Balance Sheet	Augustus Exploration Limited Consolidated Balance Sheet	Pro Forma Adjustments Note 2	Pro Forma Balance Sheet
CURRENT ASSETS:				
Cash and short-term deposits	\$ 87,748	\$ 86,338		\$ 174,086
Dividend receivable		68,603	\$ (68,603) (a)	
Concentrates, at estimated sales value	1,146,645			1,146,645
Accounts receivable	161,901	20,978	(1,770) (b)	181,109
Supplies, at average cost	314,047			314,047
Prepaid expenses	29,132	1,252		30,384
TOTAL CURRENT ASSETS	1,739,473	177,171	(70,373)	1,846,271
INVESTMENTS AND ADVANCES:				
Augustus Exploration Limited:				
Shares	524,686		(524,686) (c)	
The Canadian Faraday Corporation Limited:				
Shares		2,227,918	(2,227,918) (d)	
Subsidiaries not consolidated:				
Shares, at cost	15			15
Advances	864,482			864,482
	864,497			864,497
	260,000			260,000
Less Allowance for losses	604,497			604,497
Other investments (note 3)	1,957,624	697,646		2,655,270
	2,562,121			
	3,086,807	2,925,564	(2,752,604)	3,259,767
FIXED ASSETS:				
Buildings, plant and equipment, at cost	9,715,676	61,156		9,776,832
Less Accumulated depreciation	7,513,311	56,205		7,569,516
	2,202,365	4,951		2,207,316
Mining claims, rights, properties, leases and interests	414,925	533,431		948,356
Less Accumulated depletion	409,609			409,609
	5,316	533,431		538,747
	2,207,681	538,382		2,746,063
OTHER ASSETS:				
Special refundable tax	6,800			6,800
Interest in power line, less recoveries	132,916			132,916
Deferred development expenditures, less amortization	181,125			181,125
	320,841			320,841
TOTAL ASSETS	\$7,354,802	\$3,641,117	\$ (2,822,977)	\$8,172,942

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED CANADIAN FARADAY LIMITED

Incorporated under the laws of Ontario

UNAUDITED PRO FORMA BALANCE SHEET (Continued)

DECEMBER 31, 1966

(note 1)

The following unaudited pro forma balance sheet, giving effect to the proposed pro forma transactions as outlined in note 2 to the unaudited pro forma financial statements of Consolidated Canadian Faraday Limited, is a mathematical compilation of the accounts of the three companies as shown by the related consolidated balance sheets of The Canadian Faraday Corporation Limited and Augustus Exploration Limited and the balance sheet of Metal Mines Limited. It indicates the company's financial position on a basis as it would have appeared at December 31, 1966, had the transactions set forth in note 2 to the unaudited pro forma financial statements of Consolidated Canadian Faraday Limited been consummated at that date. The unaudited pro forma balance sheet should be read in conjunction with the following financial statements including the notes thereto and the accountants' reports thereon, which are shown elsewhere in this Proxy Statement:

The Canadian Faraday Corporation Limited and its subsidiary, Metal Mines Limited.

Metal Mines Limited.

Augustus Exploration Limited and its wholly owned subsidiary, NMC Securities Limited.

LIABILITIES

	The Canadian Faraday Corporation Limited Consolidated Balance Sheet	Augustus Exploration Limited Consolidated Balance Sheet	Pro Forma Adjustments Note 2	Pro Forma Balance Sheet
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 211,397	\$ 9,572	\$ (1,770) (b)	
			70,000 (e)	\$ 289,199
Dividends payable	279,476		(68,603) (a)	210,873
Ontario mining tax	9,500			9,500
Provision for guarantee upon liquidation of subsidiary	229,200			229,200
TOTAL CURRENT LIABILITIES	729,573	9,572	(373)	738,772
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY, METAL MINES LIMITED	984,259		(984,259) (f)	

SHAREHOLDERS' EQUITY

CAPITAL STOCK:

Authorized:

Consolidated Canadian Faraday Limited:
3,500,000 shares of no par value

Issued:

Consolidated Canadian Faraday Limited:
2,531,390 shares (note 4)

The Canadian Faraday Corporation Limited:
1,762,364 shares 2,397,765

Augustus Exploration Limited:
4,454,811 shares

Less Discount thereon

CONTRIBUTED SURPLUS (note 5)

RETAINED EARNINGS (DEFICIT) (note 6) 3,243,205

**TOTAL LIABILITIES AND SHAREHOLDERS'
EQUITY**

984,259 (f)	
1,651,101 (g)	
750,498 (i)	3,385,858
(746,664) (d)	
(1,651,101) (g)	
(702,319) (c)	
(3,001,994) (h)	
(750,498) (i)	
66,667 (h)	
(3,400,051)	3,385,858
177,633 (c)	
(1,481,254) (d)	
2,935,327 (h)	1,631,706
(70,000) (e)	2,416,606
1,561,706	4,048,312
1,838,345	7,434,170
(\$2,822,977)	\$8,172,942

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED CANADIAN FARADAY LIMITED

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS DECEMBER 31, 1966

1. CANADIAN CURRENCY:

Throughout the accompanying statements dollar amounts are expressed in Canadian currency.

2. PRO FORMA TRANSACTIONS:

The unaudited pro forma balance sheet gives effect to the following, subject to confirmation by the shareholders and the obtaining of Letters Patent:

(i) Reduction of issued capital stock of Augustus Exploration Limited upon cancellation of the shares of Augustus held by Metal Mines.

(ii) Reduction of the remaining issued capital stock of Augustus Exploration Limited to 750,498 shares, representing a one for five reverse stock split.

(iii) Reduction of issued capital stock of The Canadian Faraday Corporation Limited upon cancellation of the shares of Canadian Faraday presently held by Augustus.

(iv) Issuance to the shareholders of The Canadian Faraday Corporation Limited of one share of the capital stock of Consolidated Canadian Faraday Limited for each share of Canadian Faraday presently outstanding.

(v) Issuance to the shareholders of Augustus Exploration Limited of one share of the capital stock of Consolidated Canadian Faraday Limited for each share of Augustus presently outstanding as reconstituted.

(vi) Amalgamation of Augustus Exploration Limited with The Canadian Faraday Corporation Limited under the name of Consolidated Canadian Faraday Limited.

(vii) The purchase by Consolidated Canadian Faraday Limited of the net assets of Metal Mines Limited.

All assets are valued at book value with the exception of buildings, plant and equipment, which are valued at the amount available for deduction in determining taxable income for future years.

The entry to record the acquisition and subsequent write down of certain assets to Metal Mines' book value would be:

Cash and short-term deposits	\$ 74,182	
Concentrates	1,146,645	
Accounts receivable	161,901	
Supplies	314,047	
Prepaid expenses	25,164	
Investments	2,093,174	
Buildings, plant and equipment	3,502,503	
Mining claims, rights, properties and leases	5,316	
Special refundable tax	6,800	
Interest in power line	132,916	
Deferred development expenditures	181,125	
Payable to Metal Mines Limited	419,579	
Accumulated depreciation		\$1,300,138
Investment, Metal Mines Limited		5,211,447
Accounts payable and accrued expenses		206,308
Dividend payable		288,628
Ontario mining tax		9,500
Retained earnings		63,072
Capital Stock		984,259
	<u>\$8,063,352</u>	<u>\$8,063,352</u>

CONSOLIDATED CANADIAN FARADAY LIMITED

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1966

2. PRO FORMA TRANSACTIONS (continued):

The pro forma adjustments are as follows:

- (a) Elimination of dividend receivable by Augustus from Canadian Faraday
- (b) Elimination of inter company accounts.
- (c) Elimination of investment of Metal Mines in Augustus.
- (d) Elimination of investment of Augustus in Canadian Faraday.
- (e) Provision of \$70,000 to cover estimated costs to be incurred by the company in effecting the proposed amalgamation. This expense is charged to pro forma retained earnings.
- (f) Issuance to the minority shareholders of Metal Mines Limited of one share of the capital stock of Consolidated Canadian Faraday Limited for each two shares of Metal Mines presently held.
- (g) Issuance to the shareholders of The Canadian Faraday Corporation of one share of the capital stock of Consolidated Canadian Faraday Limited for each share of Canadian Faraday presently held.
- (h) Cancellation pro rata of 3,001,994 shares of Augustus Explorations Limited.
- (i) Issuance to the shareholders of Augustus Exploration Limited of one share of Consolidated Canadian Faraday Limited for each share of Augustus as reconstituted.

3. OTHER INVESTMENTS:

This account consists of the following:

	The Canadian Faraday Corpora- tion Limited Consolidated Balance Sheet	Augustus Exploration Limited Consolidated Balance Sheet	Pro Forma Balance Sheet
Red Mountain Mines Limited:			
Shares at nominal value	\$ 1		\$ 1
Advances	1,001,000		1,001,000
Prairie Potash Mines Limited:			
Shares, at cost	180,000		180,000
Western Mines Limited:			
Shares, at cost (Market value \$948,213)	596,636		596,636
Smelter Power Corporation:			
Advances	159,120		159,120
Other mining and exploration companies:			
Shares, valued not in excess of cost (Pro forma market value \$294,341)	18,422	\$ 676,894	695,316
Advances		10,000	10,000
Other companies:			
Shares, at cost (Pro forma market value \$7,325)	2,445	10,752	13,197
	<u>\$1,957,624</u>	<u>\$ 697,646</u>	<u>\$2,655,270</u>

CONSOLIDATED CANADIAN FARADAY LIMITED

NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1966

4. PRO FORMA CAPITAL STOCK:

The 2,531,390 shares as shown in the unaudited pro forma balance sheet consist of the following:

	No. of Shares	Stated Value
Issued to the shareholders of The Canadian Faraday Corporation	1,213,542	\$1,651,101
Issued to the shareholders of Augustus Exploration Limited	750,498	750,498
Issued to Metal Mines Limited on acquisition of its net assets	567,350	984,259
	<u>2,531,390</u>	<u>\$3,385,858</u>

Options to purchase 66,666 shares and 145,000 shares of the capital stock of Augustus Exploration Limited and Metal Mines Limited respectively remain unexercised at December 31, 1966. Upon amalgamation these options will be represented by options to purchase 13,333 shares and 72,500 shares of the capital stock of Consolidated Canadian Faraday Limited.

Conditions of exercise of these options and the granting of any additional options can be found in the notes to the financial statements of the respective companies.

5. PRO FORMA CONTRIBUTED SURPLUS:

Surplus arising upon cancellation of 3,001,994 shares of the capital stock of Augustus Exploration Limited	\$2,935,327
Add Excess of par value of shares of Augustus Exploration Limited over the cost of shares owned by Metal Mines Limited	177,633
	<u>3,112,960</u>
Deduct Excess of cost of shares over value of shares of The Canadian Faraday Corporation Limited owned by Augustus Exploration Limited	1,481,254
	<u>\$1,631,706</u>

6. PRO FORMA RETAINED EARNINGS:

Retained earnings of The Canadian Faraday Corporation Limited	\$3,243,205
Deduct Deficit of Augustus Exploration Limited	756,599
	<u>2,486,606</u>
Deduct Provision for estimated costs of proposed amalgamation	70,000
	<u>\$2,416,606</u>

7. INTER COMPANY SHAREHOLDINGS:

The respective inter company shareholdings prior to the transactions set out in note 2 were as follows:

	No. of shares	Stated Value	Percentage of shares issued
Augustus Exploration Limited in			
The Canadian Faraday Corporation Limited	548,822	\$2,227,918	31.14
The Canadian Faraday Corporation Limited in			
Metal Mines Limited	6,080,999	5,211,447	84.27
Metal Mines Limited in Augustus Exploration Limited ...	702,319	524,686	15.77

THE CANADIAN FARADAY CORPORATION LIMITED AND ITS SUBSIDIARY, METAL MINES LIMITED

REPORT OF INDEPENDENT CHARTERED ACCOUNTANTS

To the Shareholders and Board of Directors of
THE CANADIAN FARADAY CORPORATION LIMITED:

We have examined the consolidated balance sheet of The Canadian Faraday Corporation Limited and its subsidiary, Metal Mines Limited, as at December 31, 1966 and the consolidated statements of income and retained earnings for the five years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; however, it was not practicable to verify by physical inspection the quantities of all concentrates, as to which we have satisfied ourselves by means of other auditing procedures.

As more fully explained in note 4 to the consolidated financial statements, certain mining properties were recorded in the company's accounts at amounts greater than shown in the accompanying consolidated balance sheet prepared in accordance with the requirements of the United States Securities and Exchange Commission. At June 30, 1963 depletion of mining properties was provided for in the company's accounts resulting in a retroactive adjustment.

In our opinion the accompanying consolidated balance sheet and consolidated statements of income and retained earnings, supplemented by the notes thereto, present fairly the combined financial position of The Canadian Faraday Corporation Limited and its subsidiary, Metal Mines Limited, as at December 31, 1966 and the results of their combined operations for the five years then ended, in conformity with generally accepted accounting principles, except for the amortization of preproduction expenditures referred to in note 6. These principles, after giving retroactive effect to the change, which we approve, in the method of providing for depletion for mining properties, have been applied on a consistent basis. Further, in our opinion, the differences between the accompanying financial statements and the company's published annual reports in respect of the values shown for mining properties, capital stock and retained earnings, as referred to in note 4, are in conformity with generally accepted accounting principles.

Toronto, Canada,
February 2, 1967.

THORNE, MULHOLLAND, HOWSON & McPHERSON,
Chartered Accountants.

THE CANADIAN FARADAY CORPORATION LIMITED
Incorporated under the laws of Ontario
AND ITS SUBSIDIARY, METAL MINES LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1966

(with comparative figures for 1965)

(note 1)

ASSETS

CURRENT ASSETS:

	1966	1965
Cash and short-term deposits	\$ 87,748	\$1,085,998
Concentrates, at estimated sales value	1,146,645	867,090
Accounts receivable	161,901	118,529
6¼ % Mortgage receivable due June 15, 1966		119,900
Supplies, at average cost	314,047	298,212
Prepaid expenses	29,132	18,462
TOTAL CURRENT ASSETS	1,739,473	2,508,191

INVESTMENTS AND ADVANCES (note 2):

Subsidiaries not consolidated:		
Shares, at cost	15	12
Advances	864,482	1,011,320
	864,497	1,011,332
Less Allowance for losses	260,000	180,800
	604,497	830,532
Augustus Exploration Limited:		
Shares, at cost	524,686	514,504
Red Mountain Mines Limited (note 3):		
Shares, at nominal value	1	1
Advances	1,001,000	326,000
Prairie Potash Mines Limited:		
Shares, at cost	180,000	180,000
Western Mines Limited:		
Shares, at cost (market value 1966 \$948,213; 1965 \$1,057,736)	596,636	449,598
Smelter Power Corporation:		
Shares, at nominal value		1
Advances	159,120	159,120
Other mining and exploration companies:		
Shares, at cost	18,422	2,502
Advances		87,500
Other companies:		
Shares, at cost (market value 1966 \$7,325; 1965 \$12,372)	2,445	3,614
	3,086,807	2,553,372

FIXED ASSETS (notes 4, 5, 6, 7 and 8):

Buildings, plant and equipment, at cost	9,715,676	9,640,124
Less Accumulated depreciation	7,513,311	7,171,194
	2,202,365	2,468,930
Mining claims, rights, properties and leases	414,925	414,925
Less Accumulated depletion	409,609	409,609
	5,316	5,316
	2,207,681	2,474,246

OTHER ASSETS:

Special refundable tax	6,800	
Interest in power line at cost less recoveries (note 9)	132,916	169,303
Deferred development expenditures, less amortization (note 6)	181,125	116,511
	320,841	285,814
	\$7,354,802	\$7,821,623

The accompanying notes are an integral part of the financial statements.

THE CANADIAN FARADAY CORPORATION LIMITED
 Incorporated under the laws of Ontario
AND ITS SUBSIDIARY, METAL MINES LIMITED

CONSOLIDATED BALANCE SHEET (Continued)

DECEMBER 31, 1966
 (with comparative figures for 1965)
 (note 1)

LIABILITIES		1966	1965
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities (note 10)		\$ 211,397	\$ 216,588
Dividends payable		279,476	502,120
Ontario mining tax		9,500	9,500
Provision for guarantee upon liquidation of subsidiary		229,200	162,700
TOTAL CURRENT LIABILITIES		<u>729,573</u>	<u>890,908</u>
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY (note 2)		<u>984,259</u>	<u>1,013,272</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 11):			
Authorized, 3,500,000 shares of no par value			
Issued, 1,762,364 shares		2,397,765	2,397,765
RETAINED EARNINGS (note 12)		<u>3,243,205</u>	<u>3,519,678</u>
		<u>5,640,970</u>	<u>5,917,443</u>
		<u><u>\$7,354,802</u></u>	<u><u>\$7,821,623</u></u>

The accompanying notes are an integral part of the financial statements.

THE CANADIAN FARADAY CORPORATION LIMITED AND ITS SUBSIDIARY, METAL MINES LIMITED

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(note 1)

	Year ended December 31			
	1966	1965	1964	1963
Retained earnings at beginning of year	\$3,519,678	\$4,503,268	\$3,916,095	\$6,231,349
Add Net income (loss) for year	(54,321)	(542,999)	1,027,764	1,235,660
	3,465,357	3,960,269	4,943,859	7,467,009
				7,112,531
Deduct:				
Cash dividends declared	220,295	440,591	440,591	881,182
Company's share of preproduction expenditures written off in books of Metal Mines Limited less the difference between the company's equity in the book value of the net assets of Metal Mines over the cost of shares at acquisition date				2,604,302
Reorganization expense				65,430
Excess of cost of shares of Metal Mines Limited acquired during year over net book value of shares	1,857			
	222,152	440,591	440,591	3,550,914
RETAINED EARNINGS AT END OF YEAR	\$3,243,205	\$3,519,678	\$4,503,268	\$3,916,095
				881,182
				\$6,231,349

The accompanying notes are an integral part of the financial statements.

THE CANADIAN FARADAY CORPORATION LIMITED AND ITS SUBSIDIARY, METAL MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1966

1. CANADIAN CURRENCY:

Throughout the accompanying statements dollar amounts are expressed in Canadian currency.

2. SUBSIDIARY COMPANIES:

(i) Metal Mines Limited:

By an agreement dated June 30, 1963 the company sold to Metal Mines its net assets (exclusive of certain share holdings) in consideration for 5,738,284 shares of that company. It is from this date that the accompanying financial statements are consolidated.

The minority interest in the net assets of Metal Mines is applicable as follows:

	Total	Minority Interest
Capital Stock	\$7,215,700	\$1,134,701
Deficit	(956,922)	(150,442)
		<u>\$ 984,259</u>

The investment of The Canadian Faraday Corporation Limited in its consolidated subsidiary is \$5,211,447, while its equity as shown by the books of the subsidiary is \$5,274,519. The difference of \$63,072, being the parent's portion of undistributed profits of Metal Mines since acquisition of a majority of its shares, is taken up on consolidation through the consolidated statements of income and retained earnings.

(ii) Subsidiaries not consolidated:

The accounts of subsidiaries other than Metal Mines Limited have not been consolidated because they are not material in relation to those of the company or their operations differ in nature.

The parent company's portion of losses, since acquisition, of subsidiaries not consolidated, has been provided for in the company's accounts. There is no difference in the value of these investments in the books of the parent company, and its equity as shown by the books of the subsidiary.

3. RED MOUNTAIN MINES LIMITED:

Under the terms of an agreement with Torwest Resources (1962) Ltd. dated December 15, 1964, Metal Mines Limited,

- (i) Incorporated Red Mountain Mines Limited to commercially develop and operate a molybdenite property near Rossland, British Columbia,
- (ii) Obtained 40% of the issued common shares of Red Mountain,
- (iii) Advanced Red Mountain sufficient funds to commercially develop the property and provided adequate working capital, such advances to be secured by 6% debentures,
- (iv) Received an option to purchase 1,000,000 shares of Torwest at \$1.50 per share up to September 17, 1967. This option has not been exercised as of December 31, 1966.

By an agreement dated February 5, 1965, Metal Mines assigned one-half of its interest in the above agreement to Canadian Nickel Company Limited.

4. MINING CLAIMS, RIGHTS, PROPERTIES AND LEASES:

Werner Lake Division:

128 claims, at nominal value \$ 1

Bancroft Division:

Freehold:

Acquired for cash, at cost	\$ 239,389	
Acquired for 32,000 shares of the company's presently constituted capital stock, at cost	120,000	
Acquired from A. H. Shore for 333,328 shares of the company's presently constituted capital stock	<u>41,502</u>	\$ 400,891

Leasehold:

Acquired from Augustus Exploration Limited for 187,040 shares of the company's presently constituted capital stock, at cost to vendor		8,719
---	--	-------

Subsequently acquired, at cost:

Surface rights	3,514	
Other claims	<u>1,800</u>	<u>5,314</u>
		<u>\$ 414,924</u>

THE CANADIAN FARADAY CORPORATION LIMITED AND ITS SUBSIDIARY, METAL MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1966

4. MINING CLAIMS, RIGHTS, PROPERTIES AND LEASES (continued):

Mining claims and rights of Metal Mines Limited, located in the Werner Lake Area of northwestern Ontario, are as follows:

113 patented mining claims acquired by a predecessor company, Quebec Nickel Corporation Limited, as follows:

13 claims for \$16,200 cash and 50,000 shares of Quebec Nickel (now represented by 1,212 shares of Metal Mines Limited) valued at \$1,850.

30 claims for \$15,000 cash and 300,000 shares of Quebec Nickel (now represented by 7,273 shares of Metal Mines Limited) valued at \$11,050.

70 claims by staking at an estimated cost of \$200 per claim.

113

11 patented mining claims acquired by the company through staking.

4 unpatented mining claims acquired by the company through staking.

All 128 claims are shown above at nominal value of \$1.

The cost of certain mining properties acquired in consideration for shares of the company's capital stock from A. H. Shore and Augustus Exploration Limited was recorded in the company's accounts and shown in the company's published annual report to shareholders at \$950,220. According to the requirements of the United States Securities and Exchange Commission these properties are shown in the above schedule at \$50,221, which was the cost of these properties to the vendors. The reduction of \$899,999 has been reflected in the values shown for the capital stock issued and retained earnings. Reference should be made to note 7 for particulars of the provision of depletion of these properties.

The cost to A. H. Shore of mining properties acquired by the company from him has been determined as follows:

Cash	\$ 5,077
14,570 shares of the company's presently constituted capital stock	36,425
	<u>\$ 41,502</u>

5. AGREEMENT WITH FEDERAL RESOURCES CORPORATION:

Pursuant to the terms of an agreement dated September 8, 1966 between Metal Mines Limited and Federal Resources Corporation, Metal Mines granted Federal the right to investigate the commercial potential of its Bancroft (uranium) property. If it is deemed advisable by the companies, the property will be re-activated by Federal, which will thereby acquire a 51% interest. Metal Mines will retain a 49% interest in the operation.

6. DEPRECIATION AND AMORTIZATION POLICY:

Werner Lake Division:

In 1963, the consolidated subsidiary changed its policy of amortization, at 10% per annum on cost, and wrote off to deficit unamortized preproduction expenditures in the amount of \$5,119,395. Upon consolidation, the charge to consolidated retained earnings amounted to \$2,604,302.

Deferred development expenditures are amortized on a straight-line basis at 15% per annum on cost, and depreciation on fixed assets is provided on a straight-line basis at 10% per annum on cost.

Bancroft Division:

Assets acquired and expenses incurred to June 30, 1964:

Depreciation of buildings, plant and equipment and amortization of deferred development and pre-production expenditures and expenses on capital stock were calculated on the basis that the production during each period bore to the total of the contracts held. Depreciation and amortization were fully provided for at June 30, 1964.

Assets acquired subsequent to the termination of the sales contracts have not been depreciated.

THE CANADIAN FARADAY CORPORATION LIMITED AND ITS SUBSIDIARY, METAL MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) DECEMBER 31, 1966

7. DEPLETION:

It is not common practice in Canada for mining companies to make provision for depletion of mining claims, rights, properties and leases and the company's policy has been to not make any provision in its accounts. At June 30, 1963, however, depletion was provided for in the company's accounts to the extent of the balance in the property account, with the exception of a nominal amount of \$1 and \$32,112 which was the cost of land used for residential purposes away from the mining area, subsequently sold in 1964. The consolidated statement of retained earnings was retroactively adjusted in 1963 to reflect provision for depletion in the amount of \$409,609 over the period of the Eldorado-United States Atomic Energy Commission sales contract completed prior to December 31, 1962.

8. MAINTENANCE, REPAIRS AND DISPOSALS:

Maintenance, repairs and minor renewals are charged to expense as incurred. Other renewals, betterments and additions are charged to fixed asset accounts. The asset and accumulated depreciation accounts have been adjusted on disposal and any profit or loss reflected in the consolidated statement of income.

9. INTEREST IN POWER LINE:

This account represents the cost of a power line constructed to the property at Werner Lake, Ontario. This cost is recoverable by the company from The Hydro-Electric Power Commission of Ontario by means of a line compensation amounting to 25% of the power paid for by the company during the year. As at December 31, 1966, the company has recovered \$92,271 of its original cost.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

This item consists of the following:

	<u>1966</u>	<u>1965</u>
Accounts payable, trade	\$ 120,957	\$ 110,125
Accrued payroll	64,621	43,390
Other accruals	25,819	63,073
	<u>\$ 211,397</u>	<u>\$ 216,588</u>

11. CAPITAL STOCK:

The company's capital stock consists of one class only.

In terms of present capitalization, shares have been issued as follows:

	<u>No. of shares</u>	<u>Value</u>
For cash	1,129,996	\$2,214,881
For mining properties	552,368	170,221
For exploration and development expenditures	80,000	12,663
	<u>1,762,364</u>	<u>\$2,397,765</u>

The company was incorporated by Letters Patent dated June 22, 1949 with an authorized capital of 2,500,000 shares of par value \$1.00 each under the name of Faraday Uranium Mines Limited.

By Supplementary Letters Patent dated January 15, 1954 authorized capital of the company was increased to 5,000,000 shares of par value \$1.00 each.

THE CANADIAN FARADAY CORPORATION LIMITED AND ITS SUBSIDIARY, METAL MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) DECEMBER 31, 1966

11. CAPITAL STOCK (continued):

Supplementary Letters Patent dated December 23, 1963 changed the name of the company to The Canadian Faraday Corporation Limited and changed its authorized capital to 3,500,000 shares of no par value and the number of issued shares to 1,762,364 shares of no par value (being 2 for every 5 issued shares).

12. RETAINED EARNINGS:

Because the values shown for mining claims reflect the requirements of the United States Securities and Exchange Commission (note 4), the amount shown for retained earnings at the end of the year is \$899,999 greater than that reported in the published financial statements to shareholders. For Canadian accounting purposes this amount is analogous to the company's capital stock and as such is not available for payment of dividends.

13. BOND INTEREST:

At June 30, 1963 Metal Mines Limited had First Mortgage Bonds outstanding in the principal amount of \$3,615,000 divided into two series, "A" and "B". Series "A" Bonds of this issue were in the principal amount of \$515,000 of which \$500,000 principal amount were held by a subsidiary of The International Nickel Company of Canada Limited and \$15,000 principal amount were held by The Canadian Faraday Corporation Limited. All of the Series "B" Bonds in the principal amount of \$3,100,000 were held by Faraday.

Upon sale of the net assets of Faraday to Metal Mines, \$15,000 Series "A" and all Series "B" Bonds were surrendered by Faraday for cancellation and \$500,000 Series "A" Bonds were repaid at par with accrued interest to date of payment.

14. TAXES ON INCOME:

The income derived from the operation of the company's mining property at Bancroft was exempt from corporation income tax for the three-year period ended April 30, 1960. During this period depreciation of fixed assets and amortization of deferred charges recorded in the company's accounts (see note 6) was substantially in excess of the amounts claimed for tax purposes on other income. The cost of shares in Metal Mines Limited included \$500,000 incurred for exploration and development expenditures in consideration for shares. This amount was claimed for income tax purposes by the company in the year 1961. No taxes were payable for the period from April 30, 1960 to December 31, 1961 because of sufficient charges for depreciation and write-offs of development and preproduction expenditures to offset otherwise taxable income.

Income taxes for the year ended December 31, 1962 and for six months ended June 30, 1963 were reduced by claiming depreciation and write-offs of approximately \$1,090,000 and \$464,000 respectively in excess of the amounts shown in the financial statements for those periods. These amounts had been recorded in the company's financial statements in prior years.

The transfer of the depreciable assets of Faraday to Metal Mines Limited at June 30, 1963 resulted in a terminal loss to Faraday which was available as a carryback under the relevant provisions of the Income Tax Act. The amount of this loss for tax purposes was \$1,936,000 of which \$1,106,000 was used as a deduction against taxable income of Faraday for the six months ended June 30, 1963 and \$830,000 was carried back to 1962. This resulted in a tax recovery from the previous year.

Metal Mines Limited was exempt from tax on mineral income from its Werner Lake (nickel) operation for a three-year period from the date the mine commenced production in reasonable commercial quantities. The date for the commencement of this period was September 30, 1962. Income for the periods subsequent to this date derived from the nickel operation and the discontinued Bancroft (uranium) operation acquired at June 30, 1963 has been offset for income tax purposes by the availability of deductions relating to preproduction expenditures and depreciation in excess of the amounts charged in the statement of income.

15. PENSION PLAN:

On March 1, 1961 the company introduced a registered contributory retirement pension plan for its full-time permanent salaried employees who qualify as to age and term of continuous employment. The plan is administered by the Canada Life Assurance Company, Toronto, Canada.

THE CANADIAN FARADAY CORPORATION LIMITED AND ITS SUBSIDIARY, METAL MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued) DECEMBER 31, 1966

15. PENSION PLAN (continued):

The companies made net contributions during the following periods as hereunder:

	Current services	Past services
Year ended December 31, 1962	\$ 3,499	\$ (5,630)
Year ended December 31, 1963	4,346	(313)
Year ended December 31, 1964	9,098	
Year ended December 31, 1965	4,583	28,000
Year ended December 31, 1966	4,131	29,190

Current and past service contributions have been charged against income in the years indicated.

There is no further liability on account of past service.

16. SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

	Year ended December 31				
	1966	1965	1964	1963	1962
Maintenance and repairs	\$ 139,818	\$ 114,140	\$ 55,764	\$ 156,574	\$ 90,285
Taxes other than income tax	28,500	29,542	12,145	12,473	Not material
Management and service fees					
Services rendered by Augustus Exploration Limited and its wholly-owned subsidiary .				138,420	102,000
Rents and royalties			Not material		
Directors' fees	26,200	17,150	12,500	11,900	14,200

17. COMPARISON WITH PREVIOUSLY PUBLISHED CONSOLIDATED STATEMENTS OF INCOME:

The net income in the published annual reports to shareholders and the amounts shown in the accompanying consolidated statement of income are reconciled as follows:

	Year ended December 31				
	1966	1965	1964	1963	1962
Net income as previously reported	\$ 13,552	\$ 33,347	\$ 531,886	\$ 1,225,110	\$ 2,044,632
<i>Add:</i>					
Income taxes recovered in subsequent years ..					471,738
Adjustment of Ontario mining tax				10,550	
Extraordinary items			505,882		
Proceeds from sale of shares of Smelter Power Corporation	236,500				
	<u>250,052</u>	<u>33,347</u>	<u>1,037,768</u>	<u>1,235,660</u>	<u>2,516,370</u>
<i>Deduct:</i>					
Loss on disposal of fixed assets	13,978	14,682	504		
Adjustment of Ontario mining tax		10,550	9,500		
Outside exploration	111,173	176,221			
Allowance for loss of subsidiary, Trigon Associates Limited		135,000			
Gain on realization of income taxes recoverable		49,396			
Extraordinary items	163,206	217,460			
Minority interest	16,016	(26,963)			
	<u>304,373</u>	<u>576,346</u>	<u>10,004</u>		
NET INCOME (LOSS) AS SHOWN IN THE ACCOMPANYING CONSOLIDATED STATEMENT OF INCOME	<u>(54,321)</u>	<u>(542,999)</u>	<u>1,027,764</u>	<u>1,235,660</u>	<u>2,516,370</u>

METAL MINES LIMITED

(No Personal Liability)

REPORT OF INDEPENDENT CHARTERED ACCOUNTANTS

To the Shareholders and Board of Directors of

METAL MINES LIMITED (NO PERSONAL LIABILITY):

We have examined the balance sheet of Metal Mines Limited (No Personal Liability) as at December 31, 1966 and the statements of income and deficit for the four years then ended, and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances; however, it was not practicable to verify by physical inspection the quantities of all concentrates, as to which we have satisfied ourselves by means of other auditing procedures.

In our opinion, and according to the best of our information and explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of income and deficit, supplemented by the notes thereto, are properly drawn up so as to exhibit a true and correct view of the state of affairs of Metal Mines Limited (No Personal Liability) as at December 31, 1966 and the results of its operations for the four years then ended in conformity with generally accepted accounting principles. Further, we report that in our opinion these accounting principles have been consistently applied throughout the period, except for the change in accounting practice indicated in note 3, which change we approve.

Toronto, Canada,
January 23, 1967.

THORNE, GUNN, HELLIWELL & CHRISTENSON,

Chartered Accountants.

METAL MINES LIMITED

(No Personal Liability)
Incorporated under the laws of Quebec

BALANCE SHEET

DECEMBER 31, 1966

(With comparative figures for 1965)

(note 1)

ASSETS

CURRENT ASSETS:	1966	1965
Cash and short-term deposits	\$ 74,182	\$1,070,184
Concentrates, at estimated sales value	1,146,645	867,090
Accounts receivable	161,901	107,555
6¼ % Mortgage receivable due June 15, 1966		119,900
Supplies, at average cost	314,047	298,212
Prepaid expenses	25,614	18,462
TOTAL CURRENT ASSETS	1,721,939	2,481,403
INVESTMENTS AND ADVANCES:		
Augustus Exploration Limited:		
Shares, at cost	524,686	514,504
Red Mountain Mines Limited:		
Shares, at nominal value	1	1
Advances	1,001,000	326,000
Prairie Potash Mines Limited:		
Shares, at cost	180,000	180,000
Smelter Power Corporation:		
Shares, at nominal value		1
Advances	159,120	159,120
Western Mines Limited:		
Shares, at cost (market value \$217,500)	207,500	
Other mining companies:		
Shares, at nominal value	2	2
Shares, at cost	18,420	
Advances		87,500
Other companies:		
Shares, at cost (market value 1966 \$7,325; 1965 \$12,372)	2,445	3,614
Advances to parent company, The Canadian Faraday Corporation Limited	419,579	419,579
	2,512,753	1,690,321
FIXED ASSETS (notes 2, 3, 4 and 5):		
Buildings, plant and equipment	3,502,503	3,426,951
Less Accumulated depreciation	1,300,138	958,021
	2,202,365	2,468,930
Mining claims, rights, properties and leases	5,316	5,316
	2,207,681	2,474,246
OTHER ASSETS:		
Special refundable tax	6,800	
Interest in power line, at cost less recoveries (note 6)	132,916	169,303
Deferred development expenditures, less amortization (note 3)	181,125	116,511
	320,841	285,814
TOTAL ASSETS	\$6,763,214	\$6,931,784

The accompanying notes are an integral part of the financial statements.

METAL MINES LIMITED

(No Personal Liability)

Incorporated under the laws of Quebec

BALANCE SHEET (Continued)

DECEMBER 31, 1966

(With comparative figures for 1965)

(note 1)

LIABILITIES

CURRENT LIABILITIES:	1966	1965
Accounts payable and accrued liabilities (note 7)	\$ 206,308	\$ 215,006
Dividend payable	288,628	288,628
Ontario mining tax	9,500	9,500
TOTAL LIABILITIES	504,436	513,134

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 8):		
Authorized, 8,500,000 shares, par value \$1.00 each		
Issued, 7,215,700 shares	7,215,700	7,215,700
DEFICIT (\$1,001,893 at December 31, 1963 after applying in 1963 \$7,639,903 from contributed surplus (note 8))	956,922	797,050
	6,258,778	6,418,650
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$6,763,214	\$6,931,784

The accompanying notes are an integral part of the financial statements.

METAL MINES LIMITED

(No Personal Liability)

STATEMENT OF DEFICIT

(note 1)

	Year ended December 31			
	1966	1965	1964	1963
Deficit at beginning of year	\$ 797,050	\$ 554,446	\$1,001,893	\$3,334,239
<i>Add:</i>				
Preproduction expenditures written off (note 3)				5,119,395
Reorganization expense				34,811
Cash dividends declared	288,628	288,628	577,256	577,256
	<u>1,085,678</u>	<u>843,074</u>	<u>1,579,149</u>	<u>9,065,701</u>
<i>Deduct:</i>				
Gain on bond cancellation				100,417
Net income for year	128,756	46,024	1,024,703	323,488
	<u>128,756</u>	<u>46,024</u>	<u>1,024,703</u>	<u>423,905</u>
	956,922	797,050	554,446	8,641,796
<i>Deduct</i> Contributed surplus applied (note 8)				7,639,903
DEFICIT AT END OF YEAR	<u>\$ 956,922</u>	<u>\$ 797,050</u>	<u>\$ 554,446</u>	<u>\$1,001,893</u>

The accompanying notes are an integral part of the financial statements.

METAL MINES LIMITED

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1966

1. CANADIAN CURRENCY:

Throughout the accompanying statements dollar amounts are expressed in Canadian currency.

2. FIXED ASSETS:

Buildings, plant and equipment:	1966	1965
Werner Lake Division, at cost	\$3,465,635	\$3,405,791
Bancroft Division:		
Buildings, plant and equipment at vendor's book value at date of acquisition	12,364	12,364
Subsequently acquired, at cost	24,504	8,796
	36,868	21,160
	<u>\$3,502,503</u>	<u>\$3,426,951</u>
Mining claims, rights, properties and leases:		
Werner Lake Division:		
128 claims, at nominal value		\$ 1
Bancroft Division:		
Mining claims, rights, properties and leases at nominal value	\$ 1	
Subsequently acquired, at cost:		
Surface rights	\$ 3,514	
Other claims	1,800	5,314
		<u>5,315</u>
		<u>\$ 5,316</u>

Mining claims and rights located in the Werner Lake Area of Northwestern Ontario are as follows:

113 patented mining claims acquired by a predecessor company, Quebec Nickel Corporation Limited, as follows:

13 claims for \$16,200 cash and 50,000 shares of Quebec Nickel (now represented by 1,212 shares of Metal Mines Limited) valued at \$1,850.

30 claims for \$15,000 cash and 300,000 shares of Quebec Nickel (now represented by 7,273 shares of Metal Mines Limited) valued at \$11,050.

70 claims by staking at an estimated cost of \$200 per claim.

113

11 patented mining claims acquired by the company through staking.

4 unpatented mining claims acquired by the company through staking.

All 128 claims are shown above at nominal value of \$1.

METAL MINES LIMITED

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1966

2. FIXED ASSETS (Continued):

Mining claims, rights, properties and leases (Continued):

Summary of write-down of mining claims in 1959 (note 8):

113 patented mining claims acquired by a predecessor company, Quebec Nickel Corporation Limited, as noted above, for \$31,200 cash, 350,000 shares of Quebec Nickel valued at \$12,900 and estimated staking costs of \$14,000	\$ 58,100
Other claims acquired by predecessor companies which have since been abandoned by the company are as follows:	
91 claims acquired by Eastern Smelting & Refining Company Limited for 900,000 shares of Eastern Mining & Smelting Corporation Ltd. (now represented by 65,455 shares of Metal Mines Limited) valued at \$ 900,000	
120 claims acquired by Quebec Nickel Corporation Limited through staking at an estimated cost of \$200 per claim	24,000
29 claims acquired by Quebec Nickel Corporation for 600,000 shares of Quebec Nickel (now represented by 14,545 shares of Metal Mines Limited) valued at	22,100
Other sundry acquisitions, for cash	2,225
	<u>948,325</u>
	<u>\$1,006,425</u>

Reference should be made to the Notes to Consolidated Financial Statement of The Canadian Faraday Corporation Limited for descriptive details and accounting treatment of the amount shown above for the Bancroft Division assets formerly owned by that company.

3. DEPRECIATION AND AMORTIZATION POLICY:

Werner Lake Division:

In 1963 the company changed its policy of amortization, at 10% per annum on cost, and wrote off to deficit unamortized preproduction expenditures in the amount of \$5,119,395.

Deferred development expenditures are amortized on a straight-line basis at 15% per annum on cost, and depreciation on fixed assets is provided on a straight-line basis at 10% per annum on cost.

Bancroft Division:

Assets acquired and expenses incurred to June 30, 1964:

Depreciation of buildings, plant and equipment and amortization of deferred development and preproduction expenditures and expenses on capital stock were calculated on the basis that the production during each period bore to the total of the contracts held. Depreciation and amortization were fully provided for at June 30, 1964.

Assets acquired subsequent to the termination of the sales contracts have not been depreciated.

METAL MINES LIMITED

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1966

4. MAINTENANCE, REPAIRS AND DISPOSALS:

Maintenance, repairs and minor renewals are charged to expenses as incurred. Other renewals, betterments and additions are charged to fixed asset accounts. The asset accounts are adjusted on disposal and any loss has been reflected in the statement of income.

5. DEPLETION:

It is not common practice in Canada for mining companies to make provision for depletion of mining claims, rights, properties and leases and the company's policy has been to not make any provision in its accounts.

6. INTEREST IN POWER LINE:

This account represents the cost of a power line constructed to the mine property at Werner Lake, Ontario. This is recoverable by the company from The Hydro-Electric Power Commission of Ontario by means of a line compensation amounting to 25% of the power paid for by the company during each year. As at December 31, 1966 the company has recovered \$92,271 of its original cost.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	1966	1965
This item consists of the following:		
Accounts payable, trade	\$ 117,067	\$ 109,743
Accrued payroll	64,622	43,390
Other accruals	24,619	61,873
	<u>\$ 206,308</u>	<u>\$ 215,006</u>

8. CAPITAL STOCK:

The company's capital stock consists of one class only.

Issued:

In terms of present capitalization, shares have been issued as follows:

	No. of shares and par value
For cash	\$1,273,932
For mining claims abandoned or written down to \$1	88,484
In settlement of liabilities under litigation	80,000
For services	35,000
To The Canadian Faraday Corporation Limited (formerly Faraday Uranium Mines Limited) to acquire its net assets (exclusive of certain share holdings) in 1963 ..	5,738,284
	<u>\$7,215,700</u>

METAL MINES LIMITED

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1966

8. CAPITAL STOCK (Continued):

Issued (Continued):

The company was incorporated by Letters Patent dated December 16, 1955 under the name of Eastern Mining & Smelting Corporation Ltd. (No Personal Liability). The Letters Patent confirmed the amalgamation of Eastern Smelting & Refining Company Limited (No Personal Liability) and Quebec Nickel Corporation Limited (No Personal Liability).

By Supplementary Letters Patent dated March 19, 1958 the name of the company was changed to Nickel Mining & Smelting Corporation (No Personal Liability) and issued capital was decreased from \$4,383,343 to \$1,593,943 by cancellation pro rata of 2,789,400 issued shares and authorized capital was increased to \$7,000,000 by creation of 4,789,400 additional shares of \$1.00 per value.

By Supplementary Letters Patent dated January 4, 1960, authorized capital was increased to \$8,500,000 by creation of 1,500,000 additional shares of \$1.00 par value.

By Supplementary Letters Patent dated December 31, 1963 the name of the company was changed to Metal Mines Limited (No Personal Liability). Authorized capital was reduced by cancellation of 5,909,666 issued shares (being 4 out of every 5 issued shares) and authorized capital was increased by creation of 5,909,666 additional shares of \$1.00 par value.

The presently issued capital stock is made up as follows:

	No of shares and par value	Premium (discount)	Surplus arising from cancellation of capital stock	Total
Issued pursuant to Letters Patent dated December 16, 1955:				
To the shareholders of the amalgamated companies:				
Eastern Smelting and Refining Company Limited	\$1,900,007	\$ 496,214		\$ 2,396,221
Quebec Nickel Corporation Limited ..	1,483,336	1,137,918		2,621,254
	<u>3,383,343</u>	<u>1,634,132</u>		<u>5,017,475</u>
Issued during 1956 and 1957	1,000,000	4,500,000		5,500,000
	<u>4,383,343</u>	<u>6,134,132</u>		<u>10,517,475</u>
Cancelled by Supplementary Letters Patent dated March 19, 1958	2,789,400		\$2,789,400	
	<u>1,593,943</u>	<u>6,134,132</u>	<u>2,789,400</u>	<u>10,517,475</u>
Additional shares issued since Supplementary Letters Patent dated March 19, 1958	5,793,139	(3,646,298)		2,146,841
	<u>7,387,082</u>	<u>2,487,834</u>	<u>2,789,400</u>	<u>12,664,316</u>
Cancelled by Supplementary Letters Patent dated December 31, 1963	5,909,666	2,487,834	2,789,400	11,186,900
	<u>1,477,416</u>			<u>1,477,416</u>
Issued to The Canadian Faraday Corporation Limited to acquire its net assets	5,738,284			5,738,284
BALANCE, DECEMBER 31, 1966	<u>\$7,215,700</u>	<u>—</u>	<u>—</u>	<u>\$ 7,215,700</u>

METAL MINES LIMITED

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1966

8. CAPITAL STOCK (Continued):

Issued (Continued):

During 1962 and 1963 the balance in the contributed surplus account in those years was utilized to reduce the deficit account.

The following is an analysis of the contributed surplus account:

Net premium on issue of capital stock	\$ 2,487,834
Surplus arising from cancellation of capital stock in 1958	2,789,400
Surplus arising from cancellation of capital stock in 1963	5,909,666
Surplus arising on acquisition of net assets from The Canadian Faraday Corporation Limited	1,730,237
	<u>12,917,137</u>
Deduct Write down of mining claims and rights to nominal value of \$1 in 1959 (note 2)	1,006,425
Balance utilized to reduce deficit account	<u>\$11,910,712</u>

Of this amount \$4,270,809 was utilized in 1962 and \$7,639,903 was utilized in 1963.

Options:

During the year the company created an incentive stock option plan for key officers of the company to purchase up to 150,000 shares of the capital stock of the company as now constituted. The option price shall be not less than 85% of the market value of the shares of the company at the date of grant of any option. In the event of merger, amalgamation or exchange of the company's shares, any outstanding options shall be adjusted accordingly.

Options on 145,000 shares at \$1.30 per share have been granted under this plan but none of the options have been exercised.

9. BOND INTEREST:

At June 30, 1963 the company had First Mortgage Bonds outstanding in the principal amount of \$3,615,000 divided into two series, "A" and "B". Series "A" Bonds of this issue were in the principal amount of \$515,000, of which \$500,000 principal amount were held by a subsidiary of The International Nickel Company of Canada Limited and \$15,000 principal amount were held by The Canadian Faraday Corporation Limited. All of the Series "B" Bonds in the principal amount of \$3,100,000 were held by Faraday.

Upon sale of the net assets of Faraday to Metal Mines, \$15,000 Series "A" and all Series "B" Bonds were surrendered by Faraday for cancellation and \$500,000 Series "A" Bonds were repaid at par with accrued interest to date of payment.

10. TAXES ON INCOME:

No taxes on income have been payable for the following reasons:

- (a) the company was exempt from tax on mineral income from its Werner Lake (nickel) operations for a three-year period from the date the mine commenced production in reasonable commercial quantities. The date for the commencement of this period was September 30, 1962.
- (b) Because of the availability of deductions relating to preproduction expenditures and depreciation in excess of amount charged in the statement of income, to offset (i) income for periods subsequent to September 30, 1965 and (ii) income from the discontinued Bancroft (uranium) operation.

METAL MINES LIMITED

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1966

11. PENSION PLAN:

On March 1, 1961 the company introduced a registered contributory retirement pension plan for its full-time permanent salaried employees who qualify as to age and term of continuous employment. The plan is administered by the Canada Life Assurance Company, Toronto, Canada.

The company made net contributions during the following periods as hereunder:

	Current service	Past service
Year ended December 31, 1963	\$ 2,006	
Year ended December 31, 1964	9,038	
Year ended December 31, 1965	4,186	\$ 28,000
Year ended December 31, 1966	3,591	29,190

Current and past service contributions have been charged against income in the years indicated.

There is no further liability on account of past service.

12. SUPPLEMENTARY PROFIT AND LOSS INFORMATION:

	Year ended December 31			
	1966	1965	1964	1963
Maintenance and repairs	\$ 139,818	\$ 114,140	\$ 55,764	\$ 97,821
Taxes other than income taxes	28,500	29,542	12,145	12,473
Management and service fees				
Services rendered by Augustus Exploration Limited and its wholly owned subsidiary				123,840
Rents and royalties		Not material		
Directors' fees	14,400	5,250		

13. COMPARISON WITH PREVIOUSLY PUBLISHED STATEMENTS OF INCOME:

The net income in the published annual report to shareholders and the amounts shown in the accompanying statement of income are reconciled as follows:

	Year ended December 31		
	1965	1964	1963
Net income as previously reported	\$ 147,460	\$ 434,255	\$ 312,938
Add:			
Adjustment of Ontario mining tax			10,550
Proceeds from disposal of Bancroft Division's fixed assets	80,179	600,452	
Deduct:	227,639	1,034,707	323,488
Loss on disposal of fixed assets	14,682	504	
Adjustment of Ontario mining tax	10,550	9,500	
Outside exploration	156,383		
	181,615	10,004	
NET INCOME AS SHOWN IN THE ACCOMPANYING STATEMENT OF INCOME	\$ 46,024	\$ 1,024,003	\$ 323,488

AUGUSTUS EXPLORATION LIMITED
AND ITS WHOLLY OWNED SUBSIDIARY
N M C SECURITIES LIMITED

REPORT OF INDEPENDENT CHARTERED ACCOUNTANTS

To the Shareholders and Board of Directors of
AUGUSTUS EXPLORATION LIMITED:

We have examined the consolidated balance sheet of Augustus Exploration Limited and its wholly owned subsidiary, N M C Securities Limited, as at December 31, 1966 and the consolidated statements of income and deficit for the five years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and consolidated statements of income and deficit, supplemented by the notes thereto, present fairly the combined financial position of Augustus Exploration Limited and its wholly owned subsidiary, N M C Securities Limited, as at December 31, 1966 and the results of their combined operations for the five years then ended, in conformity with generally accepted accounting principles consistently applied throughout the period.

Toronto, Canada,
February 7, 1967.

THORNE, MULHOLLAND, HOWSON & McPHERSON,
Chartered Accountants.

AUGUSTUS EXPLORATION LIMITED
AND ITS WHOLLY OWNED SUBSIDIARY
N M C SECURITIES LIMITED

Both incorporated under the laws of Ontario

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1966
(With comparative figures for 1965)
(notes 1 and 2)

ASSETS

CURRENT ASSETS:	1966	1965
Cash and short-term deposits	\$ 86,338	\$ 109,184
Dividend receivable from affiliate	68,603	67,816
Accounts receivable	20,978	24,672
Prepaid expenses	1,252	2,506
Total Current Assets	<u>177,171</u>	<u>204,178</u>
SHARES OF THE CANADIAN FARADAY CORPORATION LIMITED, at cost	<u>2,227,918</u>	<u>2,218,250</u>
INTEREST IN MINING AND EXPLORATION COMPANIES AND MINING PROPERTIES:		
Shares in mining and exploration companies, valued not in excess of cost (quoted market value 1966, \$294,341; 1965, \$426,743) (notes 2 and 3)	676,894	708,293
Advance	10,000	
Mining claims and interests (notes 4 and 5)	533,431	695,082
	<u>1,220,325</u>	<u>1,403,375</u>
OTHER INVESTMENTS:		
Shares, at cost	<u>10,752</u>	<u>10,752</u>
FIXED ASSETS (note 5):		
Equipment, at cost	61,156	59,453
Less Accumulated depreciation	<u>56,205</u>	<u>53,707</u>
	4,951	5,746
Total Assets	<u><u>\$3,641,117</u></u>	<u><u>\$3,842,301</u></u>

LIABILITIES

CURRENT LIABILITIES:	1966	1965
Accounts payable and accrued liabilities	<u>\$ 9,572</u>	<u>\$ 20,600</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 6):		
Authorized, 10,000,000 shares, par value \$1.00 each		
Issued, 4,454,811 shares	4,454,811	4,454,811
Less Discount thereon	66,667	66,667
	<u>4,388,144</u>	<u>4,388,144</u>
DEFICIT	756,599	566,443
	<u>3,631,545</u>	<u>3,821,701</u>
Total Liabilities and Shareholders' Equity	<u><u>\$3,641,117</u></u>	<u><u>\$3,842,301</u></u>

The accompanying notes are an integral part of the financial statements.

AUGUSTUS EXPLORATION LIMITED
AND ITS WHOLLY OWNED SUBSIDIARY
N M C SECURITIES LIMITED

CONSOLIDATED STATEMENT OF DEFICIT
(note 1)

	Year ended December 31				
	<u>1966</u>	<u>1965</u>	<u>1964</u>	<u>1963</u>	<u>1962</u>
Deficit at beginning of year	<u>566,443</u>	<u>556,370</u>	<u>741,297</u>	<u>809,694</u>	<u>399,939</u>
<i>Deduct:</i>					
Net income (loss) for year	(190,156)	(10,073)	102,895	68,397	(409,755)
Contributed surplus applied			82,032		
	<u>(190,156)</u>	<u>(10,073)</u>	<u>184,927</u>	<u>68,397</u>	<u>(409,755)</u>
DEFICIT AT END OF YEAR	<u><u>756,599</u></u>	<u><u>566,443</u></u>	<u><u>556,370</u></u>	<u><u>741,297</u></u>	<u><u>809,694</u></u>

The accompanying notes are an integral part of the financial statements.

AUGUSTUS EXPLORATION LIMITED
AND ITS WHOLLY OWNED SUBSIDIARY
N M C SECURITIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1966

1. CANADIAN CURRENCY:

Throughout the accompanying statements dollar amounts are expressed in Canadian currency.

2. SUBSIDIARY COMPANIES:

N M C Securities Limited:

The investment of Augustus Exploration Limited in its consolidated subsidiary amounts to \$103 while its equity as shown by the books of the subsidiary is \$111,161. After eliminating a profit of \$1,849 arising from sale of shares of The Canadian Faraday Corporation Limited from the subsidiary to the parent company, the balance of the difference, \$109,312 is taken up on consolidation through the consolidated statements of income and deficit.

Other Subsidiaries:

Another subsidiary, Greenoaks Mines Limited, is not included in this consolidation because of its inactivity. The parent company's investment in this subsidiary is \$36,400 (included in shares in mining and exploration companies), and its equity is presently not determinable. There is no quoted market value for the shares of Greenoaks Mines Limited as at December 31, 1966.

The investment, amounting to \$100, in another inactive subsidiary, Ligneris Goldfields Limited, was written off during 1966, as this company has applied for the surrender of its charter.

3. SHARES IN MINING AND EXPLORATION COMPANIES:

In some instances large blocks of shares are held and quoted market values are not necessarily indicative of amounts that might be realized if the shares were to be sold.

Included in the quoted market value is \$92,405 representing escrowed shares which have been valued at 50% of the quoted market price of free shares.

4. MINING CLAIMS AND INTERESTS:

The accounting treatment of mining claims and interests is as follows:

- (a) Expenditures on claims are capitalized as incurred.
- (b) Profits and losses on disposals of claims are reflected in the consolidated statement of income.
- (c) Where a group of claims is disposed of other than en bloc, the entire proceeds of disposals are credited against cost of the group. No adjustment is made for profit or loss until the entire group is disposed of or proceeds of the sale of a portion of the group exceed the total cost of the group.

5. DEPRECIATION, DEPLETION, MAINTENANCE, REPAIRS AND DISPOSALS:

Depreciation:

Depreciation on fixed assets of Augustus Exploration Limited is provided on a diminishing balance basis at 20% per annum. Depreciation on fixed assets of the wholly owned subsidiary is provided on a straight-line basis at 20% per annum on cost.

Depletion:

The company has made no provision for depletion in its accounts in that it is an exploration company.

AUGUSTUS EXPLORATION LIMITED
AND ITS WHOLLY OWNED SUBSIDIARY
N M C SECURITIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 1966

5. DEPRECIATION, DEPLETION, MAINTENANCE, REPAIRS AND DISPOSALS (continued):

Maintenance, repairs and disposals:

Maintenance, repairs and minor renewals are charged to expense as incurred. Other renewals, betterments and additions are charged to fixed asset accounts. The asset accounts are adjusted on disposal and profits thereon have been reflected in the consolidated statement of income, under sundry income.

6. CAPITAL STOCK:

The company's capital stock consists of one class only.

Issued:

In terms of the present capitalization, shares have been issued as follows:

	No. of shares and par value
For cash	\$ 794,339
For mining claims and interest in claims	1,533,333
For shares in other companies	779,785
For net assets of Capital Lithium Mines Limited	273,141
For net assets of The Canadian Lithium Mining Corporation Limited	885,146
For net assets of Polestar Mines Limited	189,067
	<u>\$4,454,811</u>

The company was incorporated by Letters Patent dated November 26, 1958 under the name of Augustus Exploration Limited with an authorized capital of 5,000,000 shares of \$1.00 par value each. The Letters Patent confirmed the amalgamation of Continental Mining Exploration Limited and The Canadian Lithium Mining Corporation Limited.

By Supplementary Letters Patent dated December 31, 1958, authorized capital was increased to \$10,000,000 by creation of 5,000,000 additional shares of \$1.00 par value each.

	No. of shares and par value	Discount	Net
The presently issued capital stock is made up as follows:			
Issued pursuant to Letters Patent dated November 26, 1958:			
To the shareholders of the amalgamated companies:			
Continental Mining Exploration Limited	\$3,161,870		\$3,161,870
The Canadian Lithium Mining Corporation Limited	885,146		885,146
	<u>4,047,016</u>		<u>4,047,016</u>
Additional shares issued in 1958	530		530
	<u>4,047,546</u>		<u>4,047,546</u>
Issued subsequent to Supplementary Letters Patent dated			
December 31, 1958	407,265	\$ 66,667	340,598
BALANCE, DECEMBER 31, 1966	<u>\$4,454,811</u>	<u>\$ 66,667</u>	<u>\$4,388,144</u>

During 1964 the contributed surplus account was utilized to reduce the deficit. The following is an analysis of the contributed surplus account:

Surplus arising upon amalgamation of Continental Mining Exploration Limited and		
The Canadian Lithium Mining Corporation Limited		\$ 903,340
Adjustment of deficit arising on winding up of a subsidiary company		31,606
		<u>934,946</u>
Deduct:		
Amount utilized for provision for revaluation of investments	\$ 400,000	
Cost of mining claims abandoned, acquired from a predecessor company	210,321	
Goodwill of a subsidiary not realized on surrender of charter, written off	184,229	
Excess of par value of shares issued over the value of net assets acquired from		
Capital Lithium Mines Limited	58,364	852,914
BALANCE UTILIZED TO REDUCE DEFICIT		<u>\$ 82,032</u>

AUGUSTUS EXPLORATION LIMITED

AND ITS WHOLLY OWNED SUBSIDIARY

N M C SECURITIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1966

6. CAPITAL STOCK (Continued):

Options:

In 1965 the company reserved 216,000 shares of its capital stock under an incentive option plan for key personnel to be exercisable as follows:

- (1) The option price shall in no event be less than the current market price on the Canadian Stock Exchange and, in any event, not less than 50¢ per share.
- (2) Options shall be exercisable in whole or in part and from time to time but in any event not later than five years from the date of the grant of such option.

Options on 200,000 shares at 50¢ per share were granted under this plan in 1965, of which options on 133,334 shares were exercised in that year.

Options on 66,666 shares remain unexercised as of December 31, 1966.

7. PENSION PLAN:

On March 1, 1961 the company introduced a registered contributory retirement pension plan for its full-time permanent salaried employees who qualify as to age and term of continuous employment. The plan is administered by the Canada Life Assurance Company, Toronto, Canada.

The company has made net contributions as follows with respect to current service:

Year ended December 31, 1962	\$9,810
Year ended December 31, 1963	8,127
Year ended December 31, 1964	324
Year ended December 31, 1965	732
Year ended December 31, 1966	1,536

Current service contributions have been charged against income in the years indicated.

There is no liability on account of past service.

8. COMPARISON WITH PREVIOUSLY PUBLISHED CONSOLIDATED STATEMENT OF INCOME:

The net income previously reported to shareholders and the amounts shown in the accompanying consolidated statement of income are reconciled as follows:

	Year ended December 31			
	1965	1964	1963	1962
Net income (loss) as previously reported	(\$ 7,498)	\$ 112,451	\$ 199,964	(\$ 391,304)
<i>Deduct:</i>				
Cost of mining claims abandoned	2,575	9,556	64,291	18,451
Advances to other companies written off			67,276	
	2,575	9,556	131,567	18,451
NET INCOME (LOSS) AS SHOWN IN THE ACCOMPANYING CONSOLIDATED STATEMENT OF INCOME	(\$ 10,073)	\$ 102,895	\$ 68,397	(\$ 409,755)

EXHIBIT I

BASIC AGREEMENT

THIS AGREEMENT made as of the 22nd day of December, 1966.

BETWEEN:

METAL MINES LIMITED

(No Personal Liability), a Company
incorporated under the laws of the
Province of Quebec, with head office
at the City of Montreal in said Province,
hereinafter called "METAL MINES"

OF THE FIRST PART,

— and —

THE CANADIAN FARADAY CORPORATION LIMITED

a Company incorporated under the laws
of the Province of Ontario, with head
office at the City of Toronto in said Province,
hereinafter called "FARADAY"

OF THE SECOND PART,

— and —

AUGUSTUS EXPLORATION LIMITED

a Company incorporated under the laws
of the Province of Ontario, with head
office at the City of Toronto in said Province,
hereinafter called "AUGUSTUS"

OF THE THIRD PART.

WHEREAS Faraday and Augustus have agreed to amalgamate pursuant to Section 96 of The Corporations Act of the Province of Ontario and for such purpose, have agreed to enter into an Amalgamation Agreement, a copy of which is attached as Schedule "A" hereto;

AND WHEREAS preliminary to such amalgamation, it is necessary that the authorized capital of Augustus be altered so that the same shall consist of 750,498 shares without nominal or par value, all of which authorized shares would be issued as fully paid and non-assessable;

AND WHEREAS such alteration in the authorized and issued capital of Augustus would involve inter alia the cancellation of 702,319 shares of Augustus which are owned by Metal Mines;

AND WHEREAS Augustus and Faraday have agreed that upon confirmation of the Amalgamation Agreement by Letters Patent of Amalgamation, the Amalgamated Company will buy from Metal Mines its assets and undertaking subject to its liabilities, for a consideration consisting of 567,350 shares in the capital stock of the Amalgamated Company;

AND WHEREAS Faraday owns 6,080,999 shares of Metal Mines;

AND WHEREAS there are options outstanding to purchase an aggregate of 66,666 shares in the capital of Augustus, as presently constituted, at 50¢ per share and an aggregate of 145,000 shares in the capital of Metal Mines at \$1.30 per share;

AND WHEREAS it has been agreed that the Amalgamated Company shall assume the obligation to the respective optionees in terms of the capital stock of the Amalgamated Company;

AND WHEREAS upon the sale of its assets and undertaking, Metal Mines will distribute its shares of the Amalgamated Company to its shareholders (save and except Faraday) pro rata in accordance with their entitlement and will terminate its corporate existence;

AND WHEREAS the parties hereto have made disclosure each to the others of them of their financial status as of December 31st, 1966, by the delivery of financial statements reported upon by the auditors of the respective parties and which financial statements well and truly set forth the financial position of the respective parties as of that date;

AND WHEREAS the parties hereto represent each to the others of them that they have carried on business and will carry on business to the date of closing in the ordinary course.

NOW THEREFORE in consideration of the mutual covenants and agreements herein contained and the sum of Ten Dollars (\$10.00) now paid by each of the parties to the others of them, receipt whereof is hereby acknowledged, the parties hereto agree as follows:

1. Augustus agrees to take all corporate steps necessary or advisable in the opinion of counsel to procure the alteration of its authorized and issued capital by Supplementary Letters Patent to 750,498 shares without nominal or par value, all of which shall be issued and outstanding as fully paid and non-assessable.
2. Subject to the terms and conditions hereinafter set out, Metal Mines agrees to consent to the cancellation of 702,319 shares of the capital stock of Augustus owned by Metal Mines.
3. Augustus and Faraday agree that after the grant of Letters Patent of Amalgamation, the Amalgamated Company shall buy from Metal Mines and Metal Mines agrees to sell to the Amalgamated Company its assets and undertakings, subject to its liabilities, for a consideration consisting of 567,350 shares in the capital stock of the Amalgamated Company, which shares shall be issued to Metal Mines as fully paid and non-assessable.
4. Metal Mines undertakes and agrees that the share consideration so to be received by it will be distributed pro rata to its shareholders (other than Faraday) in accordance with their entitlement and it will thereafter take all necessary steps to terminate its corporate existence. In addition to the consideration payable by the Amalgamated Company to Metal Mines pursuant to the terms hereof, the Amalgamated Company shall pay all fees and expenses incidental to the distribution of shares of the Amalgamated Company owned by Metal Mines ratably to its shareholders as aforesaid and to the termination of its corporate existence.
5. Upon the reduction in the capital of Augustus, as described in Paragraph 1 hereof, Augustus and Faraday shall enter into the Amalgamation Agreement (Schedule "A" hereto).
6. It is acknowledged and agreed by the parties hereto that the options to purchase shares in the respective capitals of Augustus and Metal Mines presently outstanding are continuing obligations and shall be assumed and performed by the Amalgamated Company if any of the respective optionees desires to assert his rights, provided that an optionee of shares of Augustus shall be entitled to purchase shares of the Amalgamated Company in the number of one-fifth of the number of shares of Augustus presently under option to him and the purchase price therefor shall be \$2.50 per share, and in the case of an optionee of shares of Metal Mines, his entitlement to purchase shares of the Amalgamated Company shall be one-half of the number of shares of Metal Mines presently under option to him and the purchase price therefor shall be \$2.60 per share.
7. The transaction of purchase and sale between the Amalgamated Company and Metal Mines shall be closed as soon as practicable after the date of grant of Letters Patent of Amalgamation, as aforesaid, at such time and place as may be mutually agreed between Metal Mines and the Amalgamated Company. Upon closing all adjustments shall be made as of December 31, 1966 and as and from that date, subject to the terms and conditions herein contained Metal Mines shall be deemed to carry on its undertaking for the account and risk of the Amalgamated Company.
8. The parties hereto covenant and agree to carry on their respective undertakings in the ordinary course and will not, without the consent of the others of them, incur any extraordinary liability.
9. Each of the parties hereto undertakes and agrees to convene meetings of its shareholders for the purposes of implementing the terms of this agreement, for the grant of Supplementary Letters Patent to Augustus, Letters Patent of Amalgamation to Augustus and Faraday, and authority to Metal Mines to sell its assets and undertaking and distribute its assets and terminate its corporate existence.
10. The parties hereto covenant and agree to join in any application which may be necessary or desirable to any regulatory body having jurisdiction in Canada or the United States to give effect to the terms hereof.
11. Time shall be of the essence of this agreement.
12. Any and all notices herein required or authorized to be given to a party may be served upon such party, either in person at the office of such party or by registered mail, postage prepaid, addressed as follows:

If to Metal Mines, at:

Suite 1600, 100 Adelaide Street West,
Toronto 1, Ontario.

If to Faraday, at:

Suite 1600, 100 Adelaide Street West,
Toronto 1, Ontario.

If to Augustus, at:

Suite 1600, 100 Adelaide Street West,
Toronto 1, Ontario.

or at such other addresses as the parties in question may designate in writing.

13. This Agreement shall enure to the benefit of and be binding upon the parties hereto, and their respective successors and assigns.

IN WITNESS WHEREOF the parties hereto have hereunto affixed their respective corporate seals, attested by the hands of their proper officers in that behalf the day and year first above written.

METAL MINES LIMITED
(No Personal Liability)

per:

'H. BRODIE HICKS',
Vice-Pres.

Seal

'L. E. WETMORE',
Sec'y.

THE CANADIAN FARADAY CORPORATION LIMITED

per:

'H. BRODIE HICKS',
Vice-Pres.

Seal

'W. M. O'SHAUGHNESSY',
Treasurer.

AUGUSTUS EXPLORATION LIMITED

per:

'H. BRODIE HICKS',
Managing Director.

Seal

'L. E. WETMORE',
Sec'y.

EXHIBIT II

AMALGAMATION AGREEMENT

THIS INDENTURE made as of the 3rd day of May, 1967.

BETWEEN:

THE CANADIAN FARADAY CORPORATION LIMITED,
hereinafter sometimes called "Canadian Faraday",
OF THE FIRST PART

— and —

AUGUSTUS EXPLORATION LIMITED,
hereinafter sometimes called "Augustus",
OF THE SECOND PART.

WHEREAS Canadian Faraday and Augustus, the parties to this Agreement, were incorporated by Letters Patent under the laws of the Province of Ontario and have the same or similar objects;

AND WHEREAS the authorized capital of Canadian Faraday consists of 3,500,000 shares without par value of which 1,762,364 shares are issued and outstanding as fully paid and non-assessable and to the cancellation of 548,822 of which in the name of Augustus, Augustus has consented;

AND WHEREAS the authorized capital of Augustus consists of 750,498 shares without par value of which all are issued and outstanding as fully paid and non-assessable;

AND WHEREAS Canadian Faraday and Augustus acting on the authority contained in said Act have agreed to amalgamate upon the terms and conditions hereinafter set out;

AND WHEREAS Canadian Faraday and Augustus have each made full disclosure to the other of all their respective assets and liabilities;

AND WHEREAS it is desirable that the said amalgamation should be effected.

NOW THEREFORE THIS INDENTURE WITNESSETH as follows:

1. In this Agreement the expression "amalgamated company" means the Company continuing from the amalgamation of Canadian Faraday and Augustus, the parties hereto.
2. Canadian Faraday and Augustus do hereby agree to amalgamate under the provisions of Section 96 of The Corporations Act and to continue as one company under the terms and conditions hereinafter set out.
3. The name of the amalgamated company shall be **CONSOLIDATED CANADIAN FARADAY LIMITED**; and the objects of the amalgamated company shall be as follows:
 - (a) **TO** carry on in all its branches the business of mining, milling, reduction and development;
 - (b) **TO** purchase or otherwise acquire and to hold, sell, exchange or otherwise dispose of and deal in the property, real or personal, rights and assets of and bonds, debentures, debenture stock, shares of all classes and securities of any form or type issued by any individual, corporation or company, public or private, incorporated or unincorporated;
 - (c) **TO** take part in the management, supervision or control of the business or operations of any company or undertaking of which the Company holds any shares, bonds, debentures or other securities or of which the Company owns any property, assets or rights and, for that purpose, to appoint and remunerate any managers, accountants or other experts or agents;
 - (d) **TO** employ any individual, firm or corporation to manage, in whole or in part, the affairs of the Company and to employ experts to investigate and examine into the conditions, prospects, value, character and circumstances of any business concerns and undertakings and generally of any assets, property or rights; and

(e) **TO** acquire by purchase, lease or otherwise and to take over and manage and carry on all or any of the businesses, undertakings, properties, franchises, goodwill, contracts, rights, powers and privileges held, enjoyed or carried on by any person, firm or corporation or by any business, the carrying on of which will, in the opinion of the Company, promote the carrying out of the undertaking of the Company or possessed of any property suitable for the objects of the Company as the Company may deem advisable and, in particular, for shares, bonds, debentures or other securities of the Company; and to let and sub-let any property;

AND the following provisions shall apply to the amalgamated company:

- (i) That meetings of the board of directors and the executive committee (if any) of the amalgamated company may be held at any place within or outside of Ontario and meetings of the shareholders of the amalgamated company may be held at any place within Ontario;
- (ii) That the amalgamated company may pay commissions to persons in consideration of their subscribing or agreeing to subscribe, whether absolutely or conditionally, for shares in the amalgamated company, or procuring or agreeing to procure subscriptions whether absolute or conditional for such shares but no such commission shall exceed twenty-five per cent (25%) of the amount of the subscription;
- (iii) That the directors of the amalgamated company may from time to time:—
 - (a) borrow money on the credit of the amalgamated company;
 - (b) issue, sell or pledge securities of the amalgamated company;
 - (c) charge, mortgage, hypothecate or pledge all or any of the real and personal property of the amalgamated company both present and future, including book debts and unpaid calls, rights, powers, franchises and undertaking, to secure any securities or any money borrowed, or other debt, or any other obligation or liability of the amalgamated company.
- (iv) That the amalgamated company may issue share warrants subject to the following provisions:
 - (a) holders of share warrants shall be in every respect subject to the provisions of The Corporations Act, these Letters Patent, and any Supplementary Letters Patent relating to the Company and to the by-laws and regulations of the Company for the time being in force, whether made before or after the issue of such warrants;
 - (b) no share warrant shall be issued except upon written request therefor, and such request shall be in such form and shall be authenticated by such sworn statement or other evidence, if any, as to the identity of the applicant, his right and title to the share or shares and otherwise as the Company may from time to time deem necessary, and such request and evidence shall be lodged with the Company;
 - (c) before the issue of a share warrant the certificate (if any) then outstanding in respect of the shares intended to be included in such warrant shall be delivered up to the Company unless the directors dispense with this condition; and any person applying for a share warrant shall at the time of application pay such fee, if any, as the directors shall by resolution from time to time determine;
 - (d) share warrants shall be issued under the corporate seal of the Company and shall be signed by the chairman of the board of directors or the president or the vice-president and by the secretary or the treasurer or the assistant-secretary or the assistant-treasurer for the time being of the Company, whose signature may be printed, stamped or lithographed; and the share warrants shall be in such language and form and shall be issued in such numbers and denominations as the directors may from time to time determine;
 - (e) the share warrants shall have attached to them coupons payable to bearer for dividends upon the shares represented by the warrants; and the form and number of the said coupons and the arrangements for the issue of fresh coupons upon exhaustion thereof shall be as the directors may from time to time determine;
 - (f) the coupons shall not contain any statement of the amount payable in respect thereof nor of the date of such payment but shall be identified by number; upon any dividend being declared and becoming payable in respect of the shares specified in any share warrants, there shall be published a notice in a newspaper published in the City of Toronto, in the County of York and Province of Ontario, and/or in such other place as the directors shall deem advisable, stating the rate per cent or amount per share payable, the number of the coupon in respect of which the dividend has been declared, and the date and place or places of payment, and thereupon any person presenting and surrendering at any of such places of payment on or after the date stated in the said notice the coupon so specified shall be entitled to receive such dividend as may then be payable in respect of

such shares; and the Company shall be entitled to recognize the absolute right in the bearers for the time being of the coupons to the dividend payable in respect thereof and such dividend shall only be paid to him or it in the manner aforesaid and shall be a good discharge to the Company accordingly;

(g) if any share warrant becomes worn out or defaced, the Company may, upon surrender thereof for cancellation with all unmatured coupons annexed, issue or cause to be issued on such conditions as the directors may think fit, a new one in its stead, and if any share warrant is lost or destroyed the Company may issue, or cause to be issued, another in lieu thereof upon the loss or destruction being established to its satisfaction and upon such indemnity being given to the Company as the board of directors shall think adequate, and upon payment of all expenses attending the investigation of loss or destruction and of the indemnity; and in every case hereunder such reasonable fee, in addition to all expenses attending the investigation of evidence of loss or destruction and of the indemnity to the Company as the board of directors shall from time to time determine, shall be paid to the Company by the person availing himself of these conditions;

(h) No person shall, as bearer of a share warrant, be entitled to sign any requisition for or in aid of any general meeting unless at the time such requisition is left with the Company he produces to the officer of the Company with whom such requisition is left, either (i) the share warrant for inspection, or (ii) a certificate of inspection by some other corporation or person from time to time appointed by the directors;

(i) No more than one person shall be recognized as a shareholder in respect of a share warrant;

(j) The directors from time to time may pass by-laws with regard to the share warrants and the exercise of rights of holders thereof not inconsistent with The Corporations Act, these Letters Patent or any Supplementary Letters Patent relating to the Company; and

(k) If the bearer of a share warrant shall surrender it to be cancelled together with all unmatured coupons and shall therewith lodge with the Company a declaration in writing in such form and authenticated by such evidence, if any, and in such manner as the Company may deem satisfactory, requesting to be registered as a shareholder in respect to the shares specified in the said share warrant and stating his name, address and occupation, he shall, subject to such conditions and upon payment of such fee as the Company shall determine, be entitled to have his name entered as a shareholder in the books of the Company and to receive a certificate or certificates in respect of the shares specified in the share warrant so surrendered.

4. The authorized capital of the Amalgamated Company shall be divided into 3,500,000 shares without par value provided that the said shares shall not be issued for a consideration exceeding in amount or value the sum of \$8,500,000 or such greater amount as the Board of Directors of the Amalgamated Company deems expedient on payment to the Treasurer of Ontario of the fees payable on such greater amount and on the issuance by the Provincial Secretary of a certificate of such payment.

5. The shares of Canadian Faraday and Augustus respectively which are issued and outstanding, after giving effect to the cancellation of shares referred to in the recitals to this Agreement, shall be converted into the shares of the Amalgamated Company as follows:

The 1,213,542 issued shares without par value of Canadian Faraday and the 750,498 issued shares without par value of Augustus shall be converted share for share into 1,964,040 issued and fully paid shares without par value of the Amalgamated Company.

After the issue of Letters Patent confirming this Agreement, the shareholders of Canadian Faraday and Augustus when requested by the Amalgamated Company shall surrender the certificates representing shares held by them in Canadian Faraday and Augustus and in return shall be entitled to receive certificates for shares of the Amalgamated Company on the basis aforesaid.

6. The head office of the Amalgamated Company shall be at the Municipality of Metropolitan Toronto in the Province of Ontario.

7. The Board of Directors of the Amalgamated Company, until otherwise determined by Special Resolution, shall consist of nine members, and the first Directors of the Amalgamated Company with their names, callings, and places of residence shall be the following:

Names	Callings	Residences
ASHTON WILLIAM JOHNSTON	Mining Geologist	55 Edgehill Road Islington
DANIEL LEONARD MARCUS	Executive	2123 Chalmers Road Ottawa

Names	Callings	Residences
HENRY BRODIE HICKS	Mining Engineer	23 Princeton Road Toronto 18
JOHN KELLOGG McCAUSLAND	Investment Dealer	11 York Ridge Road Willowdale
GEORGE PERLEY-ROBERTSON	Queen's Counsel	80 Juliana Rockcliffe, Ont.
WILLIAM CLARKE CAMPBELL	Barrister	95 Dunvegan Road Toronto
ARCHIBALD BURNSIDE WHITELAW	Queen's Counsel	11 Yorkleigh Avenue Weston, Ont.
GEORGE TERENCE SMITH	Barrister	7 Ormsby Crescent Toronto, Ont.
JULES LOEB	Executive	'Stonehouse' R.R. #1, Hull, Quebec

The said first directors shall hold office until the first annual meeting of the Amalgamated Company, or until their successors are elected or appointed. The subsequent directors shall be elected or appointed in accordance with the provisions of The Corporations Act. The management and working of the Amalgamated Company shall be under the control of the Board of Directors from time to time, subject to the provisions of The Corporations Act.

8. Canadian Faraday shall contribute to the Amalgamated Company all its assets subject to all its liabilities as more particularly set forth in the Balance Sheet of Canadian Faraday as of December 31st, 1966, subject to changes since that date in the ordinary course of business.

9. Augustus shall contribute to the Amalgamated Company all its assets subject to all its liabilities as more particularly set forth in the Balance Sheet of Augustus as of December 31st, 1966, subject to changes since that date in the ordinary course of business.

10. The Amalgamated Company shall possess all the property, rights, privileges and franchises and shall be subject to all the liabilities, contracts, disabilities and debts of Canadian Faraday and Augustus.

11. All rights of creditors against the property, rights and assets of Canadian Faraday and Augustus and all liens upon their property, rights and assets shall be unimpaired by such amalgamation and all debts, contracts, liabilities and duties of Canadian Faraday and Augustus shall thenceforth attach to the Amalgamated Company and may be enforced against it.

12. No action or proceeding by or against Canadian Faraday or Augustus shall abate or be affected by such amalgamation.

13. The by-laws of Canadian Faraday, amended as indicated below, shall, so far as applicable, be the by-laws of the Amalgamated Company, until repealed, amended, altered or added to:

The following shall be substituted for the existing Article 28 of By-law No. 1:

"28. **Notices** Notice of the time and place of each meeting of shareholders shall be given in the manner hereinafter provided not fewer than ten days before the date on which the meeting is to be held to the auditors of the Company and to each shareholder of record at the close of business on the day on which the notice is given who is entered on the books of the Company as the holder of one or more shares carrying the right to vote at the meeting. Notice of a special meeting of shareholders shall state the general nature of the business which is to be transacted at it. A meeting of shareholders may be held at any time without notice if all the shareholders entitled to vote thereat are present in person or represented by proxy or if those not present or represented by proxy waive notice of, or otherwise consent to, such meeting being held, and at such meeting any business may be transacted which the Company at an annual or special meeting of the shareholders may transact."

14. Upon the shareholders of Canadian Faraday and Augustus respectively adopting this Agreement, such fact shall be certified upon the agreement by the Secretary of each of the parties hereto under their respective corporate seals, and the parties hereto by their joint application shall on or before the 31st day of May, 1967, apply to the Lieutenant-Governor of the Province of Ontario for Letters Patent confirming this Agreement.

15. Canadian Faraday and Augustus may, by resolution of their respective directors, assent to any alteration or modification of this Amalgamation Agreement which the shareholders of the respective companies at meetings called to consider the same or the Provincial Secretary of the Province of Ontario may approve and the expression "Amalgamation Agreement" as used herein shall be read and construed to mean and include this Amalgamation Agreement as so altered or modified.

IN WITNESS WHEREOF this Agreement has been duly executed by the parties hereto under their respective corporate seals as witnessed by the signatures of their proper officers in that behalf.

SIGNED, SEALED AND DELIVERED in the presence of:

THE CANADIAN FARADAY CORPORATION LIMITED

per:

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AUGUSTUS EXPLORATION LIMITED

per:

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